
Updated reading of the regulation

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of 28th November 2000

**on Business Conditions and Public Administration in the Energy Sectors
and on Amendment to Other Laws (the “Energy Act”)**

The Parliament has passed the following Act as a Law of the Czech Republic:

PART ONE

BUSINESS CONDITIONS AND PUBLIC ADMINISTRATION IN THE ENERGY SECTORS

Chapter I General Part

Section 1 Object of Regulation

This Act provides the conditions for business activities, performance of public administration and regulation in the energy sectors, including electricity, gas and heat, as well as the rights of and obligations of individuals and legal entities related thereto.

Section 2 Definitions of the Concepts

(1) For the purposes of this Act, the following terms shall have the following meanings:

- a) regulation shall mean rectification of business activities in the energy industries to substitute for some of the effects of economic competition, to develop conditions for the rise and functioning of economic competition as such, to protect customers and Licence Holders and to secure reliable supplies of electricity, gas and heat,
- b) emergency state shall mean restriction or interruption of energy supply all over the territory of the Czech Republic or any part thereof. The reason for and manner of such restriction or interruption are defined herein.
- c) responsible representative shall mean an individual appointed by the holder of a licence for electricity generation, transmission and distribution, gas transmission, distribution and storage, heat generation and distribution, and electricity or gas trading ("Licence Holder" hereinafter) who bears responsibility for the performance of the licenced activities in compliance herewith.

(2) Further, the following terms shall have the following meanings for the purposes hereof:

a) in the electricity sector

1. electricity distribution - transport of electricity through the distribution system,
2. distribution system - a complex of interconnected 110 kV lines and equipment, except selected 110 kV lines and equipment which constitute a part of the transmission system, and 0.4/0.23 kV, 3 kV, 6 kV, 10 kV, 22 kV and 35 kV lines and equipment serving to provide electricity distribution in the delineated territory of the Czech Republic, including systems of metering, protective, control, security, information and telecommunication technology; the distribution system is established and operated as a public interest utility,
3. electricity supply main - equipment which, at the electricity station, starts at the branching from the switching elements or busbars and, outside the station, at the branching from the line of the distribution system, and extends towards the buyer, and which is designed for the connection of electricity consumption facilities,
4. electricity station - a complex of buildings and equipment of the Grid serving for the transformation, compensation, conversion or transmission and distribution of electricity, including facilities needed to secure the operation thereof,
5. Grid of the Czech Republic - complex of interconnected equipment for the generation, transmission, transformation and distribution of electricity, including electricity supply mains and direct lines, and the systems' metering, protective, control, security, information and telecommunication technology (the "Grid" hereinafter),
6. protected customer - an individual or legal entity enjoying the right to connection to the distribution system and to the supply of electricity at a defined quality and for regulated prices,
7. combined generation of electricity and heat - generation of electricity which is produced alongside the generation of heat for the purpose of heat supply to individuals or legal entities or for technological purposes,
8. end customer - any individual or legal entity consuming electricity for use by itself; the end customer may be an eligible customer or a protected customer,
9. measuring (metering) devices - any equipment to measure, transmit and process the values/readings obtained,
10. low voltage - phase voltages up to (and including) 1000 V,
11. electricity trader - any individual or legal entity buying electricity for resale, such an individual or legal entity being a bearer of an electricity trading licence,
12. renewable source - any available energy source whose energy potential continuously and spontaneously renews through natural processes,
13. buyer - any individual or legal entity consuming electricity,
14. supply point - electricity consumption facility of a single buyer, including instrument transformers, located within a compact area of property where electricity is supplied and where the consumption is measured by a single measuring (metering) device or in any other agreed manner; a compact area of property shall also mean a piece of land crossed by a public road provided that the condition of technological unity is met,
15. market operator - a legal entity providing co-ordination of supply and consumption on the electricity market in the Czech Republic,
16. eligible customer - an individual or a legal entity enjoying the right of access to the transmission system and distribution systems for the purpose of selection of electricity supplier,
17. support services - activities of individuals or legal entities whose equipment and devices are connected to the Grid, such activities being designed to provide system services,

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18. distribution system operation - any activities pursued by the distribution system operator relating to the provision of reliable electricity distribution,
 19. transmission system operation - any activities pursued by the transmission system operator relating to the provision of reliable electricity transmission,
 20. distribution system operator - any individual or legal entity bearing an electricity distribution licence,
 21. transmission system operator - any legal entity bearing an electricity transmission licence,
 22. transmission - electricity transport along the transmission system, including electricity transport along interstate lines,
 23. transmission system - a complex of mutually interconnected 400 kV and 220 kV lines and equipment and selected 110 kV lines and equipment, as indicated in the Appendix to the Transmission and Distribution System Rules and as serving to secure electricity distribution all over the territory of the Czech Republic and to secure interconnection with the grids of the neighbouring countries, including systems of measuring, protective, control, security, information and telecommunication technology; the transmission system shall be established and operated as a public-interest utility,
 24. direct line - line in the territory of the Czech Republic, established as an addition to the transmission or distribution system with which it is electrically interconnected and which is not owned by the transmission system operator or distribution system operator,
 25. regulated access - possibility to use the transmission system or distribution system for electricity transportation under conditions set out herein and at prices determined by the Energy Regulatory Office,
 26. system services - activities performed by the transmission system operator or distribution system operators to secure reliable operation of the Grid of the Czech Republic with respect to operation within the interconnected grids,
 27. delineated territory - area where the electricity distribution Licence Holder is obliged to supply electricity to protected customers and to connect any buyer who applies for being connected and who meets all the conditions laid down herein,
 28. generator - any individual or a legal entity producing electricity and holding an electricity generation licence,
 29. electricity generating plant - electricity generation equipment for the conversion of various forms of energy into electricity, comprising the technological equipment for energy conversion, the building(s) and all the needed auxiliary equipment;

b) in the gas sector

1. gas distribution - transmission of gas via the distribution system, serving primarily to supply gas to the end customers,
2. distribution system - a complex of interconnected very high-pressure, high-pressure, medium-pressure and low-pressure gas lines, including the control and security systems and information transfer equipment to support the functioning of computers and information systems, which complex is not directly connected to the compressor plants, and is used by the gas distribution Licence Holder to provide gas distribution; the distribution system shall be operated in public interest,
3. protected customer - any end customer who/which is not an eligible customer,
4. end customer - any individual or legal entity buying gas for use by itself,
5. gas trader - holder of the gas trading licence buying gas for resale to other players on the gas market, except protected customers,
6. supply point - the point where the measuring (metering) device is located and where the quantity of gas supplied to a single end customer is measured,

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7. gas supply facility - any equipment starting from the main shutoff valve and including equipment for the end use of the gas; the measuring (metering) device shall not be gas supply facility,
 8. eligible customer - any end customer whose annual consumption measured at a single supply point is higher than the value specified according to Section 55 Subsection 2, and by the implementing legal regulation,
 9. gas system - a complex of interconnected facilities and equipment for gas production, transmission, distribution and storage, including the control and security equipment and the facilities for the conversion of information for use in the computer facilities and information systems which serve for the operation of the equipment,
 10. gas undertaking - an individual or legal entity which, based on licence granted on the basis hereof, pursues gas production, gas recovery, transmission system operation, distribution system operation or underground gas storage operation,
 11. gas equipment - gas lines, service connections and technological facilities relating hereto,
 12. gas - natural gas, town gas, pure coke-oven gas, degassing gas, generator gas, biogas, propane, butane and mixtures thereof, unless used for driving motor vehicles,
 13. gas service connection - equipment connecting the distribution system and the gas supply facility,
 14. gas industry facilities - equipment for gas production and conditioning, underground gas storage facilities, tanks for liquefied gas storage, gas holders, filling stations, liquefying plants, evaporating plants, compressor plants and control stations, and low-pressure, medium-pressure, high-pressure, very high-pressure and direct gas lines,
 15. underground gas storage - gas industry facility, including the control and security systems and information transfer equipment to support the functioning of computers and information systems serving for gas storage; underground gas storage shall be operated in public interest,
 16. distribution system operation - any and all activities of the distribution system operator aimed at securing reliable gas distribution and supply to protected customers,
 17. underground gas storage operation - any and all activities of the underground gas storage operator aimed at securing underground gas storage,
 18. transmission system operation - any and all activities of the transmission system operator aimed at securing reliable gas transportation,
 19. distribution system operator - any individual or legal entity operating a distribution system and holding a gas distribution licence,
 20. underground storage operator - any individual or legal entity operating underground storage facilities and holding a gas storage licence,
 21. transmission system operator - any individual or legal entity operating the transmission system and holding a gas transportation licence,
 22. transmission system - a complex of interconnected very high-pressure and high-pressure gas lines and compressor plants, including the control and security systems and information transfer equipment to support the functioning of computers and information systems, with which the gas transmission Licence Holder provides gas transmission; the gas transmission system shall be operated in public interest,
 23. transmission - gas transport along the transmission system,
 24. direct gas line - a pipeline which is not a constituent part of the transmission system or distribution system and which is specifically established for the supply of gas to an eligible customer,
 25. delineated territory - area, as specified in the gas distribution licence, where the Licence Holder has the obligations and rights laid down herein,

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26. generator - an individual or legal entity generating or recovering gas and holding a gas production licence,
 27. gas generating plant - equipment for gas production or recovery, including the buildings and the needed auxiliary equipment where the gas generating Licence Holder pursues its activities.

c) in the heat sector

1. heat energy distributor - freeholder or leaseholder of the heat distribution facility through which heat energy is transported or transformed and supplied for further use to another individual or another legal entity,
2. heat energy supplier - any individual or legal entity supplying heat energy to another individual or legal entity. The heat energy generator, distributor, and also the owner or owners' association providing heat energy as utility pertaining to the use of residential or non-residential premises, or for technological use, may all be heat energy suppliers,
3. heat energy supply - supply of the energy of heat or cold to further use by another individual or another legal entity; heat energy supply for further use shall be provided in public interest;
4. end customer - any individual or a legal entity who/which only consumes the heat energy supplied,
5. heat energy buyer - a distributor or the heat supply facility owner or owners' association,
6. heat energy consumption - intake of the heat energy supply from the generator or distributor for the purposes of end consumption or further use,
7. heat supply point - supply point as defined in the heat supply contract wherein heat energy passes from ownership by the supplier to ownership by the buyer,
8. heat consumption facility - facilities connected to the heat energy source or distribution system designed for internal distribution and consumption of heat energy inside premises of the buyer or any part thereof, or inside a complex of premises owned by the buyer,
9. heat energy distribution - transport, accumulation, parameter-transformation, and supply of heat energy along the heat distribution facilities,
10. heat distribution facilities - equipment for the transport of heat energy, consisting of heat distribution networks and the supply/consumption interface facilities. The heat network means the complex of equipment and facilities serving for heat energy transport and/or for interconnection of heat energy sources; heat distribution facilities shall be established in public interest,
11. heat energy - the energy of heat or cold as contained in the heat transfer medium,
12. delineated territory - area where the heat energy supplier performs its activities,
13. generator - any individual or legal entity generating heat energy from fuels or from other types of energy and supplying the heat energy so generated,
14. heat energy source - facilities in which fuels or energy types other than heat are used to generate heat energy, which is transmitted to the heat transfer medium.

Section 3

Business Activities in the Energy Sectors

(1) The objectives of business activities in the energy sectors include electricity generation, electricity transmission, electricity distribution and electricity trading, gas production, gas transmission, gas distribution, gas storage and gas trading, and heat energy generation and heat energy distribution.

(2) Electricity transmission, gas transmission, electricity distribution, gas distribution, gas storage, heat energy generation and heat energy distribution are activities pursued in public interest.

(3) Under conditions set out herein, business activities in the energy sectors in the territory of the Czech Republic may only be pursued by individuals or legal entities upon the basis of government authorisation in the form of licence granted by the Energy Regulatory Office. Licence under this Act shall not be granted for propane and butane and mixtures thereof, unless distribution via pipeline systems is involved, and for heat energy generation for delivery to end customers via the heat supply facility from a heat energy source located in the same premises. Also, licence under this Act shall not be granted for electricity or gas distribution if the electricity or gas buyer provides the purchases electricity or gas to another individual or legal entity through its own supply facility and the activity concerned is not business activity based on the Commercial Code.

Section 4 Licences

(1) Licences shall be granted for a fixed period of time which shall not be shorter than 25 years, and shall relate to:

- a) electricity generation,
- b) gas production,
- c) electricity transmission,
- d) gas transportation,
- e) electricity distribution,
- f) gas distribution,
- g) gas storage,
- h) heat generation,
- i) heat distribution.

(2) Licences for electricity trading or gas trading shall be granted for a fixed period of time, which shall not be shorter than 5 years.

(3) Licences for electricity transmission and gas transmission shall be issued as exclusive licences for the whole territory of the Czech Republic.

Section 5 Conditions under which a Licence May be Granted

(1) Any individual to whom the licence is to be granted shall meet the following conditions:

- a) age of 21 years or more,
- b) full legal capacity,
- c) probity,
- d) professional competence or appointment of responsible representative in compliance with Section 6.

(2) If a legal entity applies for the granting of a licence, the conditions referred to in Subsection 1 Clauses a) to c) above shall be met by the members of the legal entity's statutory body. Another condition to be met if a licence is to be granted to a legal entity is the appointment of a responsible representative.

(3) Any individual or any legal entity applying for the granting of a licence shall provide evidence of having sufficient funds and technical background for performing the licensed activities and evidence to prove that the performance of such activities will not lead to any threat to the lives and health of persons, to any property or any environmental interests. Any individual or any legal entity applying for the granting of a licence shall provide documents to prove his/her/its ownership or lease of the energy-related equipment to be used for performing the licensed activities. In the case of lease of the energy-related equipment, the individual or legal entity applying for the granting of the licence shall also provide documents to prove such an energy-related equipment owner's consent with the use of that equipment for purposes specified herein for a period not shorter than the time for which the licence is to be granted. The energy-related equipment shall be at a technical quality level meeting the legal regulations and technical standards in force. Availability of sufficient funds as referred to in Subsection 7 need not be proved by applicants for licences for electricity generation from renewable resources and applicants for licences for heat generation from renewable resources, unless the installed capacity of the electricity-generating equipment is higher than 200 kW or the installed capacity of the heat-generating equipment is higher than 1 MWt.

(4) Not considered as possessing probity shall be any person effectively convicted for

- a) any criminal act where the facts of the case relate to the object of business activities based hereon,
- b) any other criminal act committed on a premeditated basis if concern arises - in respect of the performance of the licensed activities and considering the personality of the entrepreneur - that the person may commit the same or another similar act while performing the licensed activities.

(5) Professional competence for granting a licence according to Section 4 Subsection 1 shall include complete university education in a technical area plus 3 years' experience in the area concerned or complete secondary vocational education in a technical area with the award of the General Certificate of Education plus 6 years' experience in the area concerned. For electricity or heat generation up to (and including) an installed capacity of 1 MW and for the operation of separate electricity distribution facilities or heat distribution facilities up to (and including) an installed capacity of 1 MW, the sufficient qualification shall be a certificate of apprenticeship and 3 years' experience in the area concerned or a certificate of retraining for the operation of small energy generating units. Professional competence for the granting of a licence on the basis of Section 4 Subsection 2 shall mean complete university education plus 3 years of experience or complete secondary education with the award of the General Certificate of Education plus 6 years' experience.

(6) Availability of sufficient funds shall mean the applicant's ability to provide sufficient funding to secure operation in respect of the activities for which the licence is required and ability to cover current and future liabilities for a period of at least 5 years.

(7) Availability of sufficient funds shall be proved by submitting:

- a) evidence of business property,
- b) evidence of net business property,

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- e) evidence of the volume of available funds, including the balances of bank accounts and loans,
 - f) most recent audited financial statements, including long-form notes thereto, if the applicant has pursued business activities in the previous fiscal period,
 - g) business plan for the first 5 years of business activities in the energy-related areas.

The business plan shall as a rule contain evidence of:

- a) the applicant's characteristics,
- b) ability to finance the business plan on a long-term basis,
- c) expected costs and revenues,
- d) ownership relation towards the equipment serving to perform the licensed activities,
- e) basic technical and material-related conditions for the activities to be performed, including, but not limited to, equipment capacity, raw material consumption, delivery of products,
- f) balance of the applicant's finance.

(9) Details of the financial and technical qualifications and the manner of proving them shall be defined, for the specific types of licences, in the relevant implementing legal regulation.

(10) Approval by the State Office for Nuclear Safety shall be submitted if licence is to be granted for electricity or heat generation using nuclear equipment.

Section 6

Responsible Representative

(1) The Responsible Representative, if appointed, shall be responsible for the performance of the licensed activity in accordance herewith.

(2) The responsible representative shall meet the conditions for the granting of licence as specified in Section 5 Subsection 1 above.

(3) Any responsible representative may hold the position of responsible representative for only one Licence Holder.

(4) Any Licence Holder which is a legal entity shall appoint a responsible representative in any case. Any Licence Holder who is an individual shall appoint a responsible representative if the Licence Holder him/herself fails to meet the condition of professional competence.

(5) No member of the Supervisory Board or any other such inspecting body of the legal entity concerned may be appointed responsible representative of such a legal entity.

(6) Appointment of a responsible representative shall be registered with the Energy Regulatory Office.

(7) If the responsible representative ceases discharging his/her obligations as responsible representative during the course of the performance of the licensed activity, the Licence Holder shall appoint a new responsible representative within 15 days. The Licence

Holder shall be responsible for the performance of the licensed activity until a new responsible representative is appointed.

Section 7 Licence Application

(1) The Licence shall be granted on the basis of a written application.

(2) The application for the granting of a licence to an individual shall contain:

- a) the first name and surname, permanent place of residence and the birth certificate code number, if any, otherwise the date of birth; if the applicant appoints a responsible representative such information shall also be supplied in respect of the responsible representative,
- b) the objectives, place and extent of the business and, in the case of electricity or gas distribution, also the delineated territory,
- c) business identification number, if any,
- d) expected duration of the business activity.

(3) The application for the granting of a licence to a legal entity shall contain:

- a) the trade name, registered office and form of the legal entity,
- b) the objectives, place and extent of the business and, in the case of licences for electricity or gas distribution, the delineated territory,
- c) business identification number, if any,
- d) information on the responsible representative,
- e) expected duration of the business activity.

(4) Annexed to the application as per Subsection 2 and 3 above shall be:

- a) an authenticated copy of the agreement or deed of the constitution or establishment of the legal entity; persons entered in the Commercial Register shall so annex also the respective extract from the Commercial Register,
- b) original copy or an authenticated copy of the no-criminal record certificate or any other such certificate in respect of the individual and in respect of the members of the statutory body and the responsible representative; such a certificate shall not be older than 6 months,
- c) documents proving professional competence,
- d) documents proving the availability of sufficient funds and technical facilities.

(5) The manner in which the delineated territory is defined and the details of the granting of the licence as well as any change in the licence and licence classification for regulation purposes shall be specified in an implementing regulation.

Section 8 The Granting of a Licence

(1) The Energy Regulatory Office shall make its decision on the granting of the licence on the basis of evaluation of how the conditions underlying the granting of the licence, specified in Section 5, are met.

(2) The decision on the granting of the licence shall contain the following information:

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- a) trade name of the individual or legal entity to whom/which the licence is being granted, the business identification number, registered office or permanent residence, the birth certificate code number, if any, otherwise the date of birth,
 - b) the objectives and extent of the business; in the case of licences for electricity distribution, gas distribution and heat energy distribution also the delineated territory,
 - c) technical conditions to be maintained by the Licence Holder while performing the licensed activities,
 - d) date of commencement of the licensed activities,
 - e) duration of the licence,
 - f) registration of the responsible representative as per Section 6 above,
 - g) a list of plants for which the licence is being granted or a list of delineated territories or specification of the distribution facilities for which the licence is being granted.

(3) Only one licence may be issued in respect of one generating, transmission, transport, or distribution facility or one gas storage facility.

(4) A list of decisions on the granting, amending or cancellation of licences and the contents of such decisions, except those subject to trade secret, shall be published by the Energy Regulatory Office in the Energy Regulatory Bulletin (*Regulační energetický věstník*).

Section 9

Changes in the Licence Granting Decision

(1) The Licence Holder shall notify the Energy Regulatory Office of any changes in the licence-granting conditions as referred to in Section 5 above, as well as any and all changes in the information and documents required to be annexed to the licence application as referred to in Section 7 above. The Licence Holder shall submit documents proving such changes and apply for the approval thereof.

(2) Based on the notification as referred to in Subsection 1 above, the Energy Regulatory Office will decide to make a change in the licence-granting decision or to cancel the licence according to Section 10 Subsection 2 and Subsection 3.

(3) The Energy Regulatory Office may also decide on changes in the licence-granting decision upon its own initiative if the Energy Regulatory Office learns about any facts justifying such changes.

(4) Provisions of Section 8 Subsection 2 shall apply to the decision on change in the licence-granting decision.

Section 10

Expiry of the Licence

(1) The licence shall lapse:

- a) if the Licence Holder is an individual: if such an individual dies or is declared dead,
- b) if the Licence Holder is a legal entity: if the legal entity is dissolved,
- c) when the time for which the licence was issued elapses,
- d) upon the Energy Regulatory Office's decision to revoke the licence.

(2) The Energy Regulatory Office shall revoke a licence if the Licence Holder:

- a) no longer meets the licence granting conditions according to this Act,
- b) fails to adequately discharge the obligations hereby imposed, thus threatening the lives, health or property of persons,
- c) while performing the licensed activities, seriously violates the legal regulations applicable to such activities,
- d) has submitted a written application for licence termination.

(3) The Energy Regulatory Office may revoke a licence, having established that the Licence Holder:

- a) failed to start the licensed activities within the term specified in the licence-granting decision,
- b) has been declared bankrupt or a petition to declare the holder bankrupt was suspended owing to insufficient assets.
- c) failed to pay the contribution to the Fund as referred to in Section 14.

(4) A Holder of a licence for activities specified under Section 3 Subsection 2 that has applied for termination of the licence shall continue supplying energy for a period specified by the Energy Regulatory Office, such a period not exceeding 12 months from the application date. Such an obligation shall not apply if the Licence Holder proves not to be able to discharge its duties under the Licence because of obstacles which occurred outside the Licence Holder's control and influence and which the Licence Holder is unable to manage by his own force and means.

(5) Decision on any reduction of the period referred in Subsection 4 above and on the date of termination of the licence shall be made by the Energy Regulatory Office.

(6) A Licence Holder applying for licence termination shall at the same time submit a proposal to resolve the situation and documents evidencing that all buyers have been notified of the intended cessation of the Licence Holder's activities.

(7) In the case of urgent need for continuation of activities specified under Section 3 Subsection 2, the individual or the legal entity whose licence for such activities has been revoked shall in public interest, on the basis of the Energy Regulatory Office's decision, let another Licence Holder operate the energy facilities specified in the Energy Regulatory Office's decision for a consideration, in order to secure energy supply beyond the scope of such another Licence Holder's licence for a definite period of time which, however, shall not be longer than 12 months. Such another Licence Holder shall be given access to such facilities as may be needed for full use thereof. No legal remedy against the decision of the Energy Regulatory Office shall have a suspensory effect.

(8) The consideration for letting another Licence Holder operate the energy facilities according to Subsection 7 above shall be determined by the Energy Regulatory Office on the basis of an expert opinion, unless otherwise agreed between the individuals and/or legal entities concerned.

(9) The individual or the legal entity whose licence has expired shall return to the Energy Regulatory Office the original copy of the licence-granting decision within seven days after reception of the notification of the expiry of the licence. This provision shall not apply to cases referred to in Subsection 1 Clause a).

Section 11

Licence Holders' Rights and Obligations

(1) The Licence Holder shall:

- a) supply energy in a reliable and continuous manner as far as such an obligation is imposed upon the Licence Holder by the provisions of the special part of this Act,
- b) supply energy exclusively on the basis of a contract with the buyer, such a contract containing all the requisites as specified in the special part of this Act,
- c) ensure that technical facilities meeting the security and reliability requirements laid down in pertinent legal regulations and technical standards are used for the licensed activities,
- d) ensure that the work relating to the performance of the licensed activities is done by professionally competent personnel,
- e) provide the Ministry of Industry and Trade ("Ministry"), Energy Regulatory Office and the State Energy Inspection Board with information they need to exercise their authorities laid down by law and give them access to the equipment serving for the performance of the licensed activities,
- f) maintain separate accounts for each licensed activity; if two or more licences are granted to one individual or legal entity, maintain separate accounts for each licensed activity in the manner specified in the implementing regulation; this shall be without the prejudice to maintaining accounts according to a special legal regulation,
- g) avoid disclosing any commercial, technical and financial information the Licence Holder may have learned from the customers,
- h) maintain the prescribed quality parameters of the supplies and services; provide compensation specified by a decree in event of failure to maintain such parameters.

(2) As to matters subject to dispute in respect of the contractual conditions regarding the supply of energy, provision of system services, refusal to connect a buyer to the network, refusal to conclude an energy sale contract, or unjustified interruption of energy supply, the Licence Holder is entitled to submit such disputes for discussion to the Energy Regulatory Office.

(3) Further rights and obligations of the individual Licence Holders in different energy sectors are laid down in the special part hereof.

Section 12

Obligation to Provide Supply beyond the Scope of the Licence

(1) The obligation to supply energy beyond the scope of the licence shall mean an obligation by which another Licence Holder shall assume the obligations of a Licence Holder that has ceased to perform the licensed activities.

(2) In the case of urgent need and in public interest the Licence Holder shall supply energy beyond the scope of the licence upon the basis of the Energy Regulatory Office's decision.

(3) The Energy Regulatory Office's decision shall be issued for a definite period of time which, however, shall not be longer than 12 months. No legal remedy against such a decision shall have a suspensory effect.

(4) Any provable loss suffered by the Licence Holder as a result of assumption of the obligation to secure supplies beyond the scope of the licence shall be covered on the basis of the Regulation Fund ("the Fund") in accordance with Section 14.

(5) If the Licence Holder also performs activities other than fulfilment of the obligation to secure supplies beyond the scope of the licence, such a Licence Holder shall maintain separate accounts in respect of securing the supplies beyond the scope of the licence.

Section 13 Provable Loss

(1) Provable loss shall mean the difference between the economically justified costs incurred by the Licence Holders to discharge supply obligations beyond the scope of the licence on the one hand and the revenue earned by the Licence Holder through discharging the supply obligations beyond the scope of the licence.

(2) The method of calculation of the provable loss and the documents to be furnished to support the calculation of the provable loss shall be laid down in the implementing regulation.

Section 14 The Fund

(1) The money designated for compensation for the losses suffered by the Licence Holders fulfilling the supply obligations beyond the scope of the licence shall be held by the Energy Regulatory Office on a special current account.

(2) Licence holders as referred to in Section 4 Subsection 1 Clauses c) to f), h) and i) shall provide financial contributions to the Fund. The money held in the Fund shall be treated as "other funds of the State" and shall be specifically blocked for the purpose of compensation for the provable losses of any Licence Holder who fulfils supply obligations beyond the scope of its licence.

(3) Licence holders are obliged to transfer contributions to the fund equal to CZK 50,000,000 in 2002. In the subsequent years the obligation to provide a total annual contribution shall be equal to the amount of Fund expenditures incurred in the previous calendar year to compensate for provable losses suffered by the Licence Holders fulfilling the

supply obligations beyond the scope of the licence as referred to in Section 12 hereof. The contributions shall be collected, dunned and inspected by the Energy Regulatory Office which shall do so on the basis of a special legal regulation¹⁾.

(4) The amount to be contributed by the individual Licence Holders shall be defined as the product of their proportions of the total annual sales from the licensed activities performed by them in the previous calendar year and the amount defined as described in Subsection 3 above for the given year. The Licence Holders shall deliver their contributions to the Fund not later than 3 October of the given calendar year.

(5) A Licence Holder upon whom the obligation to provide supply beyond the scope of the licence has been imposed shall submit a provable loss settlement statement to the Energy Regulatory Office before or on 30 June of the calendar year. The statement so submitted shall apply to the provable loss incurred by the Licence Holder while fulfilling the supply obligation beyond the scope of the licence in the past calendar year. The Energy Regulatory Office shall check the provable loss settlement statement and specify the limit on the amount to be drawn from the Fund.

(6) If the provable loss suffered by the Licence Holders is in excess of the total amount held in the Fund, such a gap may be bridged by a returnable subsidy from the national budget repayable by the end of the subsequent calendar year at the latest.

(7) The money remaining in the Fund at the calendar year end shall be transferred to the next calendar year.

(8) A Licence Holder upon whom the obligation to provide supply beyond the scope of the licence has been imposed shall be responsible for the use of the money drawn from the Fund to cover the provable loss and for correct settlement of the provable loss for the calendar year concerned.

(9) If any money is drawn from the Fund on the basis of incorrect or incomplete information furnished by the Licence Holder, the Licence Holder shall return to the Fund any money drawn or withheld on such an unjustified basis, doing so within 15 days of the date of being asked by the Energy Regulatory Office to do so or within 15 days of the recipient of the contributions to the Fund learns about such incorrect or incomplete information. The Licence Holder concerned shall at the same time pay a penalty of 1 *per mille* per day of the amount drawn or withheld on such an unjustified basis; however, the total penalty shall not exceed that amount. The money drawn or withheld on an unjustified basis shall be collected and dunned by the Electricity Regulatory Office.

(10) The Energy Regulatory Office shall submit the audit of the Fund and shall publish an annual report on the management of the Fund in the calendar year concerned in the Energy Regulatory Bulletin. The Report on the Balance of the Fund shall be submitted as an appendix to the Report on the State Closing Report under the 'Energy Regulatory Office' heading for the year concerned, jointly with the draft Budget for the next calendar year.

(11) The individual Licence Holders' annual financial contributions to the Fund, as referred to in Subsection 4 above, shall be set out in an implementing legal regulation.

¹⁾ Part Six of Act No. 337/1992 on Taxes and Fees Administration, as amended.

Section 15

Exercise of Public Administration

Responsibility for the exercise of public administration in the energy sectors shall be borne by:

- a) the Ministry,
- b) the Energy Regulatory Office,
- c) the State Energy Inspection Board.

Section 16

Authority of the Ministry

- The Ministry as the central public administration body for the energy sector²⁾ shall
- a) issue state approval to build new source facilities in the electricity, gas and heat energy sectors and state approval to build direct lines and direct gas equipment in accordance with the conditions specified in the special part hereof,
 - b) develop the energy policy of the state,
 - c) ensure fulfilment of the obligations resulting from the international agreements and treaties binding on the Czech Republic or obligations resulting from membership in international organisations.

Section 17

Energy Regulatory Office and the Authority Thereof

(1) The Energy Regulatory Office is established as the administrator Office to exercise regulation in the energy sector, having a special heading in the national budget of the Czech Republic.

(2) The seat of the Energy Regulatory Office shall be at Jihlava.

(3) The mission of the Energy Regulatory Office is to support economic competition and protect consumers' interests in energy sector areas where competition is impossible, aiming to meet all reasonable requirements for energy supply.

(4) The Energy Regulatory Office shall be headed by its Chairperson who shall be appointed, and may be removed, by the Government of the Czech Republic.

(5) The Chairperson of the Energy Regulatory Office may only be removed from his/her post before the expiry of his/her term on the following grounds: sickness permanently preventing him/her from officiating, gross breach of his/her obligations as Chairperson, effective conviction of a court for a criminal act, or resignation.

(6) The Energy Regulatory Office shall decide on the following matters:

- a) the granting of a licence, amendment thereto or revocation thereof,

²⁾ Act No. 2/1969 on the Establishment of the Ministries and Other Central Bodies of the Czech Republic, as amended.

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- b) the holding of more than one licence by an individual or legal entity in compliance with the implementing regulation,
 - c) imposition of the supply obligation beyond the scope of the licence,
 - d) imposition of the obligation to let another Licence Holder use the energy facilities in cases of emergency to exercise the supply obligation beyond the scope of the licence, including any related decisions on servitude based on the provisions of special regulations³⁾,
 - e) price regulation based on special legal regulations⁴⁾.

(7) The Energy Regulatory Office shall lay down:

- a) the required quality of the supplies and services,
- b) method of selection of the Licence Holder to exercise the supply obligation beyond the scope of the licence,
- c) the rules of maintenance of separate records of sales, costs and revenue for regulation purposes,
- d) conditions of connection and supplies for protected customers,
- e) the rules to organise the electricity market ("electricity market rules"), the principles of pricing in respect of the market operator⁷
- f) contents of the economic information and the price regulation procedures on the basis of special provisions⁴⁾,
- g) method of calculation of the provable loss suffered while fulfilling the obligation to supply energy beyond the scope of the licence and documents to evidence and specify the calculation of the provable losses,
- h) the amounts of financial contributions of the Licence Holders to the Fund and the rules of drawing money from the Fund,
- i) rules for the allocation of costs, sales revenues and return on capital invested,
- j) details of the demonstration of available funds and technical facilities for the different types of licences for regulated activities,
- k) method of determination of the delineated territory and details of the granting of the licence and amendments thereto.

(8) In addition, the Energy Regulatory Office shall perform the following activities:

- a) decide disputes arising from failure to conclude agreements between individual licence holders and/or agreements or contracts with their customers,
- b) request that the Licence Holders should disclose the information specified by the Energy Regulatory Office,
- c) authorise its employees to enter the premises used for the performance of licensed activities,
- d) decide disputes arising from failure to conclude an agreement on regulated access to the transmission system or distribution system,
- e) approve the Rules of Operation of the Transmission System and Distribution Systems in the Electricity Sector,
- f) initiate the inspection of how the obligations resulting from the decisions based on Section 17 Subsection 6 are fulfilled and initiate inspection to be performed by the State Energy Inspection Board based on the provisions of Section 93 Subsection 1 Clauses a) and c),
- g) while exercising its regulating mission, impose upon the Licence Holders to remedy any identified faults and submit, within the period defined in the decision of the Energy Regulatory Office, a report on the measures taken; or prescribe the way in which the Licence Holder is to remove the identified faults,

³⁾ Act No. 40/1064, Civil Code, as amended.

⁴⁾ Act No. 526/1990 on Prices, as amended.

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- h) propose that the State Energy Inspection Board should institute inspection proceedings,
 - i) propose that the State Energy Inspection Board should impose fines for breach of duties ensuing here from.

(9) For purposes of performing their regulation mission, employees of the Energy Regulatory Office shall be entitled to:

- a) enter the premises where the licensed activities are performed,
- b) inspect the Licence Holders' accounts and other documents as needed for regulation and request explanation thereof; any circumstances they may learn during their inspection work shall be treated by them as confidential while they are employees of the Energy Regulatory Office and two years thereafter.

(10) The Energy Regulatory Office shall issue the Energy Regulatory Bulletin (*Regulační energetický věstník*) to publish information including, but not limited to:

- a) lists of Licence Holders,
- b) decisions issued, including also those relating to prices.

(11) The Energy Regulatory Office shall submit a report on its activities to the government and to the Chamber of Deputies of the Czech Parliament on an annual basis.

Section 18 Inspection

(1) The State Energy Inspection Board ("Inspection") is the inspection body to supervise the activities in the energy sectors.

Section 19 Regulation

Activities referred to in Section 4 Subsection 1 and Subsection 2, except the activities specified in the implementing legal regulation, shall be subject to regulation.

Section 20

Separate Accounting

(1) Licence Holders shall maintain, submit to audit and disclose their performance results for the past accounting period, doing so separately for the licensed activities and other activities. In addition, they shall maintain records of the costs and revenues for regulation purposes in accordance with the implementing legal provisions issued by the Energy Regulatory Office.

(2) Licence Holders pursuing more than one of the licensed activities shall maintain separate accounts for each such activity.

(3) Based on Subsection 2 above, Licence Holders shall submit to the Energy Regulatory Office their balance sheet and their profit and loss statement, including the Footnotes thereto. They shall also submit documents as referred to Subsection 1 above, separately for each of the licensed activities. Details shall be specified in the implementing legal regulation.

Chapter II

Special Part

Part 1

Electricity

Section 21

The Electricity Market

(1) To secure reliable and efficient supply of electricity while protecting the environment, electricity market in the territory of the Czech Republic is based on free access to the transmission system and the distribution systems ("regulated access") and on the possibility to build electricity generating plants and direct lines in accordance with the conditions specified herein; the prices for the transmission and distribution of electricity and for system services, as well as electricity prices for protected customers shall be regulated by the Energy Regulatory Office; regulated access to the transmission system and the distribution systems shall begin to be provided on 1 January 2002.

- (2) The electricity market shall be opened, step-by-step, in the following manner:
- a) starting from 1 January 2002, eligible customers shall be the end customers whose electricity consumption related to one supply point, including electricity generation for the generator's own use, has exceeded 40 GWh in the year 2000 or in the one-year period of 1 July 2000 to 30 June 2001; title to regulated access for the purpose of selling their output shall be enjoyed by electricity generation Licence Holders with an installed capacity in excess 10 MW,
 - b) starting from 1 January 2003, eligible customers shall be the end customers whose electricity consumption related to one supply point, including electricity generation for the generator's own use, has exceeded 9 GWh in the year 2001 or in the one-year period of 1

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- July 2001 to 30 June 2002; title to regulated access for the purpose of selling their output shall be enjoyed by all electricity generation Licence Holders,
- c) starting from 1 January 2005, eligible customers shall be all end customers taking electricity from networks of voltages higher than low and the end customers taking electricity from the low voltage networks whose electricity consumption related to one supply point, including electricity generated for the generator's own use, exceeded 100 MWh in 2003 or in the one-year period of 1 July 2003 to 30 June 2004,
 - d) starting from 1 January 2006, all end customers shall be eligible customers.

(3) Until 31 December 2001, the distribution systems operators whose equipment is connected to the transmission system shall be entitled to regulated access to the transmission system only for electricity supply from the generators whose equipment is connected to the transmission system, this being so within the range of such generators' own-generated output.

Section 22 Electricity Market Participants

- (1) The electricity market participants include:
- a) generators,
 - b) transmission system operator,
 - c) distribution systems operators,
 - d) market operator,
 - e) electricity traders,
 - f) end customers.
- (2) The electricity market shall be realised using the Grid facilities, including:
- a) electricity generating plants,
 - b) transmission system,
 - c) distribution systems,
 - d) direct lines,
 - e) service connection lines.

Section 23 The Generator

- (1) The generator shall be entitled to:
- a) connect its equipment to the Grid provided that the generator is an electricity generation Licence Holder and complies with the conditions of connection to the transmission system and distribution systems and conditions of securing transport along the transmission system and distribution systems ("connection and transport conditions") as specified in the implementing regulation, as well as the trading conditions specified in the Transmission System Operating Rules or the respective Distribution System Operating Rules,
 - b) offer the electricity generated in its own electricity generating plant on the short-term electricity market organised by the market operator,
 - c) supply electricity through the transmission system or a distribution system, provided that:
 - 1. the generator has concluded an electricity supply contract and an electricity transmission and distribution contract, or a separate electricity transmission contract or distribution contract,

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2. the electricity supply concerned is an electricity supply organised by the market operator on the short-term electricity market, or
 3. the generator has been asked by the transmission system operator or the respective distribution system operator to supply electricity,
- d) supply the electricity generated in its own electricity generation plant to meet its own needs or the needs of the businesses controlled by the company, as far as such supply is possible given the transmission system and distribution systems operation conditions,
 - e) offer and provide support services needed to secure the operation of the Grid.

(2) The generator shall:

- a) provide at its own expenses the connection to the transmission system or a distribution system,
- b) enable, and pay for, the installation of a metering device by the operator of the transmission system or distribution system to which the generator is connected; the types of metering devices, method of installation thereof, the location thereof and other details of the metering are set out in the Transmission System Operating Rules or the respective Distribution System Operating Rules,
- c) make the metering device accessible to the operator of the transmission system or the respective distribution system to which the generator is connected,
- d) install facilities for the provision of support services at the newly built electricity generating plants having a total installed electricity capacity of at least 30 MW, and operate such facilities; details relating to the type of facilities for the provision of support services to be installed shall set out in the Transmission System Operating Rules or the respective Distribution System Operating Rules; details of the method of using the facilities for the provision of support services shall be set out in the Grid Code of the Electricity System ("Grid Code ") which are specified in the implementing regulations,
- e) respect the instructions of technical dispatching centre of the operator of the transmission system or the respective distribution system to which the electricity generation plant is connected in compliance with the Grid Code,
- f) provide the market operator with the technical data referred to in the electricity supply contracts,
- g) provide the operator of the transmission system or the respective distribution system to which the electricity generating plant is connected with the information needed for the operation and development of the transmission system or the distribution system in compliance with the Grid Code and the Transmission System Operating Rules or the respective Distribution System Operating Rules,
- h) maintain the electricity supply quality parameters as required by the Transmission System Operating Rules or the Distribution System Operating Rules,
- i) contribute to the covering of the justified costs incurred by the transmission system operator or the respective distribution system operator in respect of the connection of the electricity generating plant; details of the calculation of such a contribution to the covering of the justified costs shall be specified in the connection and transport conditions,
- j) pay the transmission system operator or the respective distribution system operator for system services according to the electricity market rules related to quantity the electricity generated in its own electricity generating plant.

Section 24

Transmission System Operator

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- (1) The transmission system operator shall:
- a) provide reliable operation and development of the transmission system,
 - b) provide electricity transmission on the basis of contracts concluded,
 - c) control the flows within the transmission system while respecting electricity transmissions between the interconnected grids of other countries and co-operating with the operators of the distribution systems within the Grid,
 - d) be responsible for the provision of system services for the Grid at the level of the transmission system.

(2) The transmission system operator may not be a holder of an electricity trading, electricity distribution and electricity generating licence.

- (3) The transmission system operator shall be entitled to:
- a) establish and operate its own telecommunication network for the control, metering, security and automation of the transmission system's operation and for the transmission of information needed for the operation of computers and information systems,
 - b) buy, at the lowest cost, the support services and electricity needed to cover the losses from the transmission system and to meet its own needs,
 - c) limit or interrupt, to the extent necessary, electricity supply to the buyers:
 1. in cases of direct danger to the life, health or property of persons and removal of such dangers,
 2. in the emergency state or in activities directly preventing the rise of the emergency state as referred to in Section 54,
 3. in the case of unauthorised electricity transmission as referred to in Section 53,
 4. if the buyer fails to grant the operator access to the metering device,
 5. if unauthorised consumption is involved, as referred to in Section 51,
 6. when performing the planned work on the transmission system facilities, including, but not limited to, repairs, refurbishment, maintenance and inspection,
 7. in cases of defects in the transmission system facilities and the removal thereof,
 8. in cases of electricity consumption by facilities dangerous to the life, health or property of persons, or
 9. in cases of electricity consumption by facilities affecting the quality of electricity to the detriment of other buyers, when the buyer did not furnish such electricity consumption facility with available technical devices to reduce such effects,
 - d) change or interrupt, to the extent necessary, electricity supply from the generating plants and electricity import from other countries or export of electricity to other countries with a view to securing reliable operation of the transmission system:
 1. in cases of direct danger to the life, health or property of persons and in cases of removal of such dangers,
 2. in the emergency state or in activities directly preventing the rise of the emergency state as referred to in Section 54,
 3. in the case of unauthorised electricity transmission as referred to in Section 53,
 4. in the case of unauthorised electricity supply to the transmission system as referred to in Section 52,
 5. if the generator fails to grant the transmission system operator access to the metering device,
 6. when performing the planned work on the transmission system facilities, including, but not limited to, repairs, refurbishment, maintenance and inspection,
 7. in cases of defects in the transmission system facilities and the removal thereof,

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8. in case of electricity supply by facilities dangerous to the life, health or property of persons, or
 9. in case of electricity supply by facilities affecting the quality of electricity to the detriment of other electricity market participants, while the generator failed to furnish such electricity consumption facility with available technical devices to reduce such effects,
- e) establish and operate, in compliance with the conditions set out in the zoning decision and planning permission, the transmission system facilities on other owners' property, cross such property with conductors and locate there electricity lines,
 - f) enter another owner's property with personnel and vehicles for purposes of establishment and operation of the transmission system facilities,
 - g) remove and cut back trees and other growths endangering safe and reliable operation of the transmission system, and remove such trees and lopping and other waste from such trees and other growths, if this has not been done by the owner or user after having been asked to do so,
 - h) enter, in accordance with special regulations, in the closed areas and facilities used for the activities and services of the Ministry of Defence, Ministry of Interior, Ministry of Justice, the Security Information Service and the operating property of the Railways, and may likewise enter the property where special telecommunication facilities are located, the extent and manner of such entries being as needed for the performance of the licensed activities.

(4) If it is impossible to establish a servitude on a contractual basis with the owner of the property because the owner is not known or identified, or is definitely inaccessible or inactive, or no contract could be negotiated with such an owner, then the appropriate Building Authority shall issue, upon the transmission system operator's proposal, a decision on the establishment of servitude, thus providing the possibility to use such property or any part thereof for the purposes referred to in Subsection 3 Clause e).

(5) In cases referred to in Subsection 3 Clause c) Point 6 and Clause d) Point 6 the transmission system operator shall announce the start and end of the limitation or interruption of electricity supply in a manner commonly used in the given place, doing so no later than 50 days in advance.

(6) In cases referred to in Subsection 3 Clauses c) and d) the transmission system operator shall resume the supply of electricity as soon as the causes of the limitation or interruption are removed.

(7) In cases referred to in Subsection 3 Clauses c) and d), no title to damages and lost profit compensation may be claimed. This provision shall not apply if the transmission system operator fails to make the announcements as referred to in Subsection 5 above, or if the quality of electricity supply defined in the implementing legal regulation fails to be maintained as referred to in Subsection 3 Clause c) Point 7 and Clause d) Point 7.

(8) While exercising its authority as referred to in Subsection 3 Clauses e) to g) the transmission system operator shall respect to the maximum extent possible the rights of the owners of the property concerned and shall notify them of its access to their property. Upon completion of the work the transmission system operator shall bring the property to its previous state, and if that is impossible because of the type of work performed there, the transmission system operator shall bring the property concerned to a state adequate to its

previous purpose or use, and shall notify that to the owner of the property. Upon removing or cutting back the trees the transmission system operator shall at its own expenses remove the trees and lopping produced by the intervention.

(9) In the event that, exercising its rights as referred to in Subsection 3 Clauses e) to g), the transmission system operator causes damage to the property held by a freeholder or leaseholder or the transmission system operator limits such a freeholder or leaseholder in respect of the normal use of the property, then such a holder shall be entitled to a reasonable single compensation⁵⁾. The claim for such a compensation shall be filed with the transmission system operator which caused the damage to the property or the limitation of the use thereof within six months of the date on which such a freeholder or leaseholder first learned of such a damage or limitation.

(10) Also, the transmission system operator shall:

- a) connect to the transmission system any individual or legal entity that applies therefore and meets the conditions of connection and transport and the business conditions specified in the Transmission System Operating Rules, except the cases of evidenced lack of capacity of the transmission equipment or cases of danger to the reliable operation of the transmission system,
- b) provide equal conditions for all electricity market participants to connect their equipment to the electricity transmission system,
- c) provide equal conditions for all electricity market participants to transmit electricity along the transmission system, except in the case of electricity generated from renewable sources and electricity that can be proved to be associated with heat generation in the electricity and heat co-generation process, as the electricity from the renewable sources and co-generation units enjoys priority right of transmission,
- d) establish and operate the technical dispatching centre,
- e) arrange for metering and measurements to be performed within the transmission system, including the processing and interpretation of the readings, and submit the results and other key information to the market operator; details shall be specified in the implementing regulations,
- f) prepare and issue and publish, upon approval by the Energy Regulatory Office, the Transmission System Operating Rules including, but not limited to:
 1. basic conditions of use of the transmission system,
 2. operating rules, including maintenance,
 3. rules for planning the operation and development of the transmission system,
 4. contingency plans and emergency inventories,
 5. rules for communication of the data and information needed for reliable operation and development of the transmission system,
- g) provide any information as may be needed for effective co-operation to the operators of any other transmission systems or any distribution systems with which the operator's system is interconnected,
- h) restrict electricity import on the basis of the Ministry's decision according to Section 44,
- i) prepare and publish, in compliance with the Grid Code and in co-operation with the distribution systems operators, an annual document on preparations for the operation of the transmission system, including, but not limited to, the extent and dates of the transmission system down time and the expected transmission limitations,

⁵⁾ Act No. 151/1997, on Property Valuation and on Amendment to Certain Acts (the Property Valuation Act), as amended by Act No. 121/2000.

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- j) prepare and publish every year a rolling projection of the development of the transmission system for at least 5 years ahead, including interconnection with the Grids of the neighbouring countries,
 - k) regularly publish information on the possibilities of electricity transmission via the transmission system, doing so in the manner specified in the Transmission System Operating Rules,
 - l) perform, in co-operation with the distribution systems operators, technical evaluation of the operation of the transmission system,
 - m) maintain separate accounts for electricity transmission and system services,
 - n) prepare the data needed for the Energy Regulatory Office's decision on the prices for transmission and prices for system services,
 - o) provide protection to any proprietary information having the nature of trade secret which the transmission system operator may have learned during its activities, including the protection of the data submitted to the market operator,
 - p) develop contingency plans within six months of the granting of the licence and update them on an annual basis thereafter,
 - r) maintain the quality parameters of electricity supply and services as laid down in the implementing legal regulation,
 - s) prepare a list of eligible customers connected to the transmission system and submit it to the market operator.

Section 25

Distribution System Operator

(1) The distribution system operator shall:

- a) provide reliable operation and development of the distribution system in the territory delineated by the licence,
- b) enable electricity distribution on the basis of contracts concluded,
- c) control the electricity flows within the distribution system while respecting electricity transmissions between other distribution systems and the transmission system, doing so in co-operation with the transmission system operator.

(2) The distribution system operator may not be a holder of an electricity transmission licence.

(3) Joint award of the electricity generation licence, electricity distribution licence and electricity trading licence is possible on the basis of a decision of the Energy Regulatory Office.

(4) The distribution system operator may:

- a) establish and operate its own telecommunication network for the control, metering, security and automation of the distribution system's operation and for the transmission of information needed for the operation of computers and information systems,
- b) select the electricity generation licence holder or electricity trading licence holder for electricity supply to protected customers, based on Section 21 Subsection 2,
- c) buy, at the lowest cost, support services and the electricity needed to cover the losses in the distribution system,
- d) limit or interrupt, to the extent necessary, electricity supply to the buyers:

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1. in cases of direct danger to the life, health or property of persons and removal of such dangers,
 2. in the emergency state or in activities directly preventing the rise of the emergency state as referred to in Section 54,
 3. in the case of unauthorised electricity distribution as referred to in Section 53,
 4. if the buyer fails to grant the operator access to the metering device,
 5. if unauthorised consumption is involved, as referred to in Section 51,
 6. when performing the planned work on the distribution system facilities, including, but not limited to, repairs, refurbishment, maintenance and inspection,
 7. in cases of defects in the distribution system facilities and the removal thereof,
 8. in cases of electricity consumption by facilities dangerous to the life, health or property of persons, or
 9. in cases of electricity consumption by facilities affecting the quality of electricity to the detriment of other buyers, and the buyer did not furnish such electricity consumption facility with available technical devices to reduce such effects,
- e) change or interrupt, to the extent necessary, electricity supply from the generating plants and electricity import from other countries or export of electricity to other countries with a view to securing reliable operation of the distribution system:
1. in cases of direct danger to the life, health or property of persons and in cases of removal of such dangers,
 2. in the emergency state or in activities directly preventing the rise of the emergency state as referred to in Section 54,
 3. in the case of unauthorised electricity distribution as referred to in Section 53,
 4. if the generator fails to grant the distribution system operator access to the metering device,
 5. in the case of unauthorised electricity supply to the distribution system as referred to in Section 52,
 6. when performing the planned work on the distribution system facilities, including, but not limited to, repairs, refurbishment, maintenance and inspection,
 7. in cases of defects in the distribution system facilities and the removal thereof,
 8. in cases of electricity supply by facilities dangerous to the life, health or property of persons, or
 9. in cases of electricity supply by facilities affecting the quality of electricity to the detriment of other electricity market participants, while the generator failed to furnish such electricity consumption facility with available technical devices to reduce such effects,
- f) establish and operate, in compliance with the conditions set out in the zoning decision and planning permission, the distribution system facilities on other owners' property and premises, cross such property with conductors and locate there electricity lines,
- g) enter another owner's property with personnel and vehicles for purposes of establishment and operation of the distribution system facilities,
- h) remove and cut back trees and other growths endangering safe and reliable operation of the distribution system, and remove the trees and lopping from such trees and other growths, if this has not been done by the owner or user after having been asked to do so,
- i) enter, in accordance with special regulations, in the closed areas and facilities used for the activities and services of the Ministry of Defence, Ministry of Interior, Ministry of Justice, the Security Information Service and the operating property of the Railways, and may likewise enter the property where special telecommunication facilities are located, the extent and manner of such entries being as needed for the performance of the licensed activities.

(5) If it is impossible to establish a servitude on a contractual basis with the owner of the property because the owner is not known or identified, or is definitely inaccessible or inactive, or no contract could be negotiated with such an owner, then the appropriate Building Authority shall issue, upon the distribution system operator's proposal, a decision on the establishment of servitude, thus providing the possibility to use such property or any part thereof for the purposes referred to in Subsection 4 Clause f).

(6) In cases referred to in Subsection 4 Clause d) Point 6 and Clause e) Point 6 the distribution system operator shall announce the start and end of the limitation or interruption of electricity supply in a manner commonly used in the given place, doing so no later than 15 days in advance. This provision shall not apply to routine operating handling when the limitation or interruption does not exceed 20 minutes.

(7) In cases referred to in Subsection 4 Clauses d) and e) the distribution system operator shall resume the supply of electricity as soon as the causes of the limitation or interruption are removed.

(8) In cases referred to in Subsection 4 Clauses d) and e), no title to damages and lost profit compensation may be claimed. This provision shall not apply if the distribution system operator fails to make the announcements as referred to in Subsection 6 above, or if the quality of electricity supply defined in the implementing legal regulation fails to be maintained as referred to in Subsection 4 Clause d) Point 7 and Clause e) Point 7.

(9) While exercising its authority as referred to in Subsection 4 Clauses f) to h) the distribution system operator shall respect to the maximum extent possible the rights of the owners of the property concerned and shall notify them of its access to their property. Upon completion of the work the distribution system operator shall bring the property to its previous state, and if that is impossible because of the type of work performed there, the distribution system operator shall bring the property concerned to a state adequate to its previous purpose or use, and shall notify that immediately to the owner of the property. Upon removing or cutting back the trees the distribution system operator shall at its own expenses remove the trees and lopping produced by the intervention.

(10) In the event that, exercising its rights as referred to in Subsection 4 Clauses f) to h), the distribution system operator causes damage to the property held by a freeholder or leaseholder or the distribution system operator limits such a freeholder or leaseholder in respect of the normal use of the property, then such a holder shall be entitled to a reasonable single compensation⁵⁾. The claim for such a compensation shall be filed with the distribution system operator which caused the damage to the property or the limitation of the use thereof within six months of the date on which such a freeholder or leaseholder first learned of such a damage or limitation.

(11) Also, the distribution system operator shall:

- a) connect to the distribution system any individual or legal entity that applies therefore and meets the conditions of connection and transport and the business conditions specified in the Distribution System Operating Rules, except the cases of evidenced lack of capacity of

⁵⁾ Act No. 151/1997, on Property Valuation and on Amendment to Certain Acts (the Property Valuation Act), as amended by Act No. 121/2000.

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- the distribution equipment or cases of danger to the reliable operation of the distribution system,
- b) upon the basis of a request of a protected customer or distribution system operator not enjoying the right to select electricity supplier according to Subsection 4 Clause b), conclude with them an electricity supply contract in compliance with Section 50 and supply them with electricity at regulated prices on that basis,
 - c) provide equal conditions for all electricity market participants to connect their equipment to the electricity distribution system,
 - d) provide equal conditions for all electricity market participants to distribute electricity along the distribution system, except in the case of electricity generated from renewable sources and electricity that can be proved to be associated with heat generation in the electricity and heat co-generation process, as the electricity from the renewable sources and co-generation units enjoys priority right of distribution,
 - e) establish and operate the technical dispatching centre, if operating equipment at a voltage of 110 kV,
 - f) arrange for metering and measurements to be performed within the distribution system, including the processing and interpretation of the readings, and submit the results and other key information to the market operator; details shall be specified in the implementing regulations,
 - g) prepare and issue, and publish, upon approval by the Energy Regulatory Office, the Distribution System Operating Rules including, but not limited to:
 - 1. basic conditions of use of the distribution system,
 - 2. operating rules, including maintenance,
 - 3. rules for planning the operation and development of the distribution system,
 - 4. contingency plans and emergency inventories,
 - 5. rules for communication of the data and information needed for reliable operation and development of the distribution system,
 - h) provide any information as may be needed for effective co-operation to the operators of the transmission system or any other distribution systems with which the operator's system is interconnected,
 - i) restrict electricity import on the basis of the Ministry's decision according to Section 44,
 - j) prepare and publish, in compliance with the Grid Code and in co-operation with other distribution systems operators, an annual document on preparations for the operation of the distribution system, including, but not limited to, the extent and dates of the distribution system down time and the expected distribution limitations,
 - k) prepare and publish every year a rolling projection of the development of the distribution system for at least 5 years ahead,
 - l) regularly publish information on the possibilities of electricity distribution via the distribution system, doing so in the manner specified in the Distribution System Operating Rules,
 - m) perform technical evaluation of the operation of the distribution system,
 - n) maintain separate accounts for electricity distribution and for electricity supply to protected customers,
 - o) prepare the data needed for the Energy Regulatory Office's decision on the prices for electricity distribution,
 - p) prepare background data and information for decisions to be made by the Energy Regulatory Office on the prices of electricity for protected customers,
 - r) provide protection to any proprietary information having the nature of trade secret which the transmission system operator may have learned during its activities, including the protection of the data submitted to the market operator,
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- s) develop contingency plans within six months of the granting of the licence and update them on an annual basis thereafter,
 - t) buy electricity from electricity generation Licence Holders not enjoying the right of regulated access to the distribution system as referred to in Section 21 Subsection 2 Clause a),
 - u) maintain the quality parameters of electricity supply and services as laid down in the implementing legal regulation,
 - v) prepare a list of eligible customers connected to the distribution system and submit it to the market operator,
 - x) at its own expenses, provide connection of its equipment to another distribution system and contribute to the covering of the respective distribution system operator's justified costs relating to the connection of its equipment to such a distribution system; details of the calculation of the contribution to the covering of the justified costs shall be specified in the connection and transport conditions,
 - y) pay the transmission system operator or the respective distribution system operator for system services according to the electricity market rules.

(12) The distribution system operator shall, as far as technically possible, buy electricity from renewable sources as referred to in Section 31 Subsection 1 and from sources of combined generation of electricity and heat, doing so in quantities specified according to Section 32 Subsection 2 in the manner specified in the implementing legal regulation.

Section 26

Technical Dispatching Centres

(1) Dispatching centres shall be responsible for maintaining equilibrium between the sources of and need for electricity and the secure and reliable operation of the Grid.

(2) The transmission system operator's dispatching centre shall be responsible for the central control of electricity generation and transmission in the transmission system and for compliance with the rules of use of the interconnection with the grids of other countries.

(3) The distribution system operator's dispatching centre shall be responsible for the central control of electricity generation and distribution in the distribution system.

(4) The dispatching centres of the distribution systems operators shall co-operate with the dispatching centres of the transmission system operator.

(5) In the central control of the transferred power in real time, the transmission system operator's dispatching centre shall be superior to the dispatching centres of the distribution systems operators.

(6) If emergency state is imposed over the whole territory of the country in accordance with Section 54 Subsection 2 and if activities directly preventing such situations are pursued, the instructions of the transmission system operator's dispatching centre shall be superior to the instructions of the dispatching centres of the distribution systems operators.

Section 27

Electricity Market Operator

(1) The electricity market operator (“market operator”) is a joint-stock company, founded by the government, with inscribed shares.

(2) Any single shareholder except the government may hold shares of the market operator representing up to 5% of the market operator’s registered capital at the maximum.

(3) The market operator may not be a holder of a licence based on the provisions of Section 5.

(4) The market operator may not establish, or be a founder of, any legal entities, nor may it take part in their establishment or constitution, nor may it acquire equity interests in such entities.

(5) The market operator shall:

- a) prepare balances of the supply of and consumption for electricity for the specified periods on the basis of electricity supply contracts between the generators, the transmission system operator, distribution systems operators, eligible customers and traders and shall submit the balances to the transmission system operator and the distribution systems operators,
- b) organise the electricity market; if a short-term electricity market is involved, the market operator shall:
 1. gather offers of and demands for electricity supply and intake,
 2. based on assessment of such offers and demands, publish the price for the short-term transactions,
 3. confirm for the participants in such short-term transactions the electricity price and volume as a basis for contractual relationships,
- c) on the basis of the electricity supply contracts and the actual readings of measurements, prepare assessments of the actual and agreed electricity supplies and intakes and provide such assessments to the individual electricity generators, eligible customers, electricity traders, the transmission system operator and the distribution systems operators concerned,
- d) based on the assessment of the actual and agreed electricity supplies, provide settlement between the electricity market participants as to the differences between the actual and agreed supplies; the electricity market participants shall cover such differences; details shall be specified in the electricity market rules,
- e) inform the transmission system operator or the distribution system operators concerned about any case of market participants’ failure to pay to cover the differences resulting from the assessment of the actual and agreed electricity supplies and intakes,
- f) prepare and publish monthly and annual assessment reports on the Grid,
- g) at least once a year prepare and submit to the Ministry and the Energy Regulatory Office reports on the long-term electricity balances,
- h) provide protection to any proprietary information which the electricity market operator may have learned during its activities,
- i) inform the Energy Regulatory Office and the Ministry of electricity supplies that might be subject to import restrictions as per Section 44,
- j) prepare background information for the draft rules of electricity trading and submit it to the Energy Regulatory Office.

(6) The market operator may:

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- a) require from all electricity market participants
 - 1. the technical data from their electricity supply contracts, such as data on output and its change over time, the electricity intake volume, the supply point and the electricity supply delivery point;
 - 2. data for preparing the monthly and annual assessment of electricity supplies in the Grid; all the electricity market participants shall provide the market operator with such data,
 - b) require from the transmission system operator and the distribution systems operators the readings of measurements and the processed and interpreted data as the market operator may need to be able to discharge its obligations,

(7) The method of organisation of the short-term electricity market, the technical data from the electricity supply contracts, readings from measurements, the interpreted data on the actual electricity supplies and the details on how such data are to be submitted shall be specified in an implementing legal regulation.

(8) The prices charged for the market operator's activities according to Subsection 5 above and the method of billing and payment by the individual electricity market participants shall be defined by the Energy Regulatory Office.

Section 28

Eligible customer

(1) The eligible customer shall be entitled:

- a) to have its electricity supply facility connected to the transmission system or a distribution system insofar as it meets the conditions of connection and transport and the Transmission System Operating Rules or Distribution System Operating Rules,
- b) to buy electricity at a quality specified by an implementing legal regulation from electricity generation Licence Holders and electricity trading Licence Holders,
- c) to buy electricity on the short-term electricity market organised by the market operator,
- d) to have an agreed electricity volume transported as far as the eligible customer has concluded an electricity transmission and distribution contract, or an electricity transmission contract, or an electricity distribution contract, and as far as the technical conditions of the transmission system or distribution system allow for that,

(2) The eligible customer shall:

- a) have its electricity supply facility connected at its own cost to the transmission system or the respective distribution system,
- b) respect the Grid Code in compliance with the contracts concluded and with the Transmission System Operating Rules of Distribution System Operating Rules,
- c) enable the operator of the transmission system or the operator of a distribution system to which the eligible customer is connected to install the metering (measuring) device; the type of metering device, method of its installation, its location and other details shall be contained in the Transmission System Operating Rules of Distribution System Operating Rules,
- d) provide access to the metering (measuring) device for the operator of the transmission system or the operator of a distribution system to which the eligible customer is connected,
- e) maintain its electricity supply facility in a state of repair in compliance with applicable legal regulations and technical standards,

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- f) follow the instructions of the technical dispatching centre of the transmission system operator or distribution system operator,
 - g) submit to the market operator the technical information from the electricity supply contracts,
 - h) implement appropriate technical measures to prevent impact on electricity quality to the detriment of other buyers,
 - i) pay its proportion of the transmission system operator's or the respective distribution system operators' costs relating to the connection of the eligible customer's equipment; details of the calculation of the eligible customer's proportion of the costs shall be defined in the conditions of connection and transport,
 - j) when a change is made in the electricity parameters set out in the implementing regulations, adjust the eligible customer's electricity supply facility at its own expenses so that the equipment's parameters can match the changes,
 - k) pay the transmission system operator or the respective distribution system operator for system services in accordance with the rules of the electricity market.

(3) In electricity supply facility through which non-metered electricity passes, no interventions may be made without prior consent of the transmission system operator or the respective distribution system operator.

(4) If an eligible customer has a substitute electricity source of its own, which is interconnected with the transmission system or a distribution system, such a substitute source may only be operated upon agreement with the transmission system operator or the respective distribution system operator.

Section 29

Protected Customer

(1) The protected customer shall be entitled to:

- a) to have its electricity consumption facility connected to a distribution system,
- b) to a smooth supply of electricity for regulated prices at a quality specified in the conditions for connection and supply to protected customers.

(2) The protected customer shall:

- a) follow the conditions for connection and supply to protected customers and the respective Distribution System Operating Rules,
- b) follow the instruction of the transmission system operator's or the respective distribution system operator's technical dispatching centre,
- c) implement available technical measures to prevent deterioration of the quality of electricity which would be damaging to other buyers, doing so upon notification by the distribution system operator,
- d) allow the operator of the distribution system to install a metering (measuring) device and provide access thereto,
- e) maintain its electricity consumption facility in a state of repair in compliance with legal regulations and technical standards,
- f) depending on the volume of electricity consumption, participate in covering the reasonable costs incurred by the distribution system operator in providing connection and in securing the supply of the required power input at a level calculated according to the conditions for connection and supply to protected customers,

g) when a change is made in the electricity parameters set out in the conditions for connection and supply to protected customers, adjust the protected customer's electricity consumption facility at its own expenses so that the equipment's parameters can match the changes,

(3) The owner of the property where electricity is supplied to protected customers on the basis of a contract shall:

- a) allow such supply to be provided to the protected customers,
- b) maintain the shared electrical facilities serving for such supply in a state of repair complying with technical standards and legal regulations,
- c) provide the electricity distribution Licence Holder with technical data relating to such facilities,
- d) enable the electricity distribution Licence Holder adequate access to such electrical facilities.

(4) Shared electrical facilities serving for the supply of electricity to protected customers in a single estate shall be treated as part of such an estate.

(5) In electricity consumption facility through which non-metered electricity passes, no interventions may be made without prior consent of the respective distribution system operator.

(4) If a protected customer has a substitute electricity source of its own, which is interconnected with the distribution system, such a substitute source may only be operated upon agreement with the respective distribution system operator.

Section 30 Electricity Trader

(1) The electricity trader shall be entitled:

- a) to the transport of an agreed volume of electricity under a contract on electricity transmission or distribution,
- b) to buy electricity in the territory of the Czech Republic from electricity generation Licence Holders and electricity trading Licence Holders and sell it to other electricity market participants, except protected customers,
- c) to buy electricity in other countries and sell electricity to other countries, unless the electricity trader is subject to an import restriction under Section 44 below.

(2) The electricity trader shall:

- a) observe the electricity market rules, the Grid Code and - in compliance with the signed contract - the Distribution Systems Operating Rules,
- b) submit to the market operator technical data from the electricity supply contracts.

Section 31 Renewable Sources

(1) For the purposes hereof, renewable sources shall be deemed to mean the following electricity sources:

- a) hydraulic power up to the plant's output of 10 MW,

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- b) solar energy,
 - c) wind energy,
 - d) geothermal energy,
 - e) biomass and biogas.

(2) Generators producing electricity from renewable sources shall - as far as they apply for that and as far as they meet the conditions of connection and transport, conditions contained in the Transmission System Operating Rules and Distribution System Operating Rules - enjoy the right of preferred connection of its electricity generating plant to the transmission system or the distribution systems for the purpose of electricity transmission system or distribution.

Section 32

Combined Generation of Electricity and Heat

(1) Generators operating co-generation facilities for combined generation of electricity and heat shall, as far as they apply for that and as far as technical conditions so allow, enjoy the right of preferred provision of electricity transport over the transmission system and the distribution systems.

(2) Such a right only applies to the electricity volume that can be proved to have been generated jointly with the generation of heat for the purpose of supply to individuals or legal entities and for technological use.

Section 33
Construction of Electricity Generating Plants

(1) Construction of electricity generating plants with installed capacities of 30 MW and higher shall only be allowed with government authorisation ("authorisation"). The decision on the award of the authorisation shall be made by the Ministry.

(2) The following circumstances shall be evaluated if authorisation for the construction of an electricity generating plant is to be granted:

- a) use of fuel or other sources,
- b) energy efficiency of the electricity generating plant,
- c) effect of the electricity generating plant on the safety and reliability of operation of the Grid,
- d) satisfaction of the requirement for the availability of sufficient funds to finance the construction of the electricity generating plant,
- e) effect of the electricity generating plant on environment, including air pollution, if any,
- f) effectiveness and economy parameters of the available energy sources.

(3) In matters relating to the granting of authorisation for the construction of electricity generating plants, the Ministry shall be party to the planning proceedings and shall also be the state body involved in the building permission proceedings in accordance with a special legal regulation.⁷⁾

Section 34
Authorisation for the Construction of Electricity Generating Plants

(1) Decision on the granting of the authorisation for the construction of an electricity generating plant shall be made by the Ministry on the basis of a written application.

(2) There shall be no automatic legal title to the granting of authorisation for the construction of an electricity generating plant.

(3) Authorisation for the construction of an electricity generating plant shall not be transferable to any other individual or legal entity and may be granted for the period indicated in the application which, however, shall not be longer than 5 years of the date of granting. The authorisation may be extended if the authorisation holder applies for such an extension. The application for extension shall be filed at least 6 months before the expiry of the authorisation

Section 35
Application for the Granting of Authorisation for Construction of an Electricity Generating Plant

(1) The written application for the granting of authorisation for the construction of an electricity generating plant shall contain:

⁷⁾ Act No. 50/1976 Coll. on Town Planning and the Building Code

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- a) the trade name of the individual or the legal entity, permanent residence or registered office, the business identification number (IÈ); if the applicant is an individual, the application shall also contain the first name, surname, and birth certificate code number, if any, otherwise the date of birth; if the applicant is a legal entity the application shall also contain such data on its statutory body,
 - b) period for which the authorisation for the construction of the electricity generating plant is required to remain in effect, the start and end dates of construction, including also the expected date of putting the plant in operation,
 - c) basic information on the electricity generating plant, including installed capacity and energy efficiency,
 - d) the planned location of the electricity generating plant,
 - e) opinion based on assessment of environmental impact, based on a special legal regulation,⁸⁾
 - f) consent of the clean air protection body⁹⁾,
 - g) information on the fuels and/or other energy sources,
 - h) opinion of the transmission system operator or the appropriate distribution system operator as to the satisfaction of the conditions of connection and transport and as to the provision of support services,
 - i) documents to prove the availability of sufficient funds for the construction of the electricity generating plant.

(2) Availability of sufficient funds shall mean the ability of the individual or legal entity applying for the granting of authorisation to ensure that the construction of the electricity generating plant is started and completed as planned, and the ability to ensure that the commitments resulting there from are carried out.

(3) Availability of sufficient funds shall be proved by evidence of business assets and the volume of available finance, the financial statements verified by an auditor, including long-form footnotes thereto, provided that the individual or the legal entity performed business activities in the previous year.

(4) The requisites of the application for the granting of authorisation for construction of an electricity generating plant, including the master format of the application for authorisation and including also the details of the process of assessment of such an application, shall be specified in the implementing legal regulation.

Section 36

Decision on the Granting of Authorisation for Construction of Electricity Generating Plant

(1) The decision as to the granting of authorisation to build an electricity generating plant shall contain:

- a) the trade name of the individual or the legal entity, permanent place of residence or registered office, the business identification number (IÈ); if the decision is made in respect of an individual, it shall also contain the first name and surname and the birth certificate code number, if any, otherwise the date of birth,
- b) the period for which the authorisation is to remain in effect,

⁸⁾ Act No. 244/1992 Coll. on Assessment of Environmental Effects.

⁹⁾ Act No. 309/1991 Coll. on the Protection of the Air Against Pollutants (the Clean Air Act), as later amended.

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- c) the starting and completion dates of the construction of the electricity generating plant, including the expected date of commencement of operation,
 - d) basic information on the electricity generating plant, including installed capacity and energy efficiency,
 - e) information on the location of the electricity generating plant,
 - f) conditions of environmental protection, including clean air requirements,
 - g) information on the fuels and/or other energy sources,
 - h) compliance with the conditions of connection and transport and provision of support services, including the impact of the electricity generating plant on the safe and reliable operation of the Grid.

(2) The holder of the authorisation for construction of an electricity generating plant shall notify the Ministry without delay about any change in the data contained in the application for authorisation or other important information relating to the authorisation.

(3) The Ministry shall maintain records of all electricity generating plant construction authorisations granted.

Section 37

Expiry of Authorisation for Construction of Electricity Generating Plant

The authorisation for the construction of electricity generating plant shall lapse:

- a) with the expiration of the time for which it was granted, unless the period is extended on the basis of the authorisation holder's application for such an extension,
- b) if an individual: with the death of the electricity generating plant construction authorisation holder, or upon his/her being declared dead,
- c) if a legal entity: upon declaration of bankruptcy of the authorisation holder, or rejection of its bankruptcy petition for lack of assets,
- d) if a legal entity: with the dissolution of the legal entity which is a plant construction authorisation holder,
- e) on the basis of the authorisation holder's application for cancellation of the authorisation granted,
- f) by the Ministry's decision to revoke the electricity generating plant construction authorisation on the grounds of gross violation of the conditions under which the authorisation was granted, including the authorisation holder's entry in liquidation.

Section 38

Construction of a Direct Line

(1) Construction of a direct line shall only be possible on the basis of an authorisation. The decision on the granting of such an authorisation shall be made by the Ministry on the basis of submitted evidence of rejection of access to the transmission system or a distribution system.

(2) Authorisation for the construction of a direct line may be granted upon the assessment of:

- a) the effect of the direct line on the safety and reliability of operation of the Grid,

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- b) the availability of sufficient funds to finance the construction of the direct line,
 - c) the environmental effects of the direct line.

(3) In matters relating to the granting of authorisation for the construction of direct lines, the Ministry shall be party to the planning proceedings and shall also be the state body involved in the building permission proceedings in accordance with a special legal regulation.⁷⁾

Section 39

Decision on the Granting of Authorisation for Construction of a Direct Line

(1) Decision on the granting of the authorisation for the construction of a direct line shall be made by the Ministry on the basis of a written application.

(2) There shall be no automatic legal title to the granting of authorisation for the construction of a direct line.

(3) Authorisation for the construction of a direct line shall not be transferable to any other individual or legal entity and may be granted for the period indicated in the application which, however, shall not be longer than 5 years of the date of granting. The authorisation may be extended if the authorisation holder applies for such an extension. The application for extension shall be filed at least 6 months before the expiry of the authorisation.

(4) In the event that authorisation for the construction of a direct line is not granted the applicant shall be notified about the reason why the authorisation was not granted and about the steps to be taken in the event of an appellate procedure.

Section 40

Application for Authorisation for Direct Line Construction

- (1) The written application for the granting of the authorisation shall contain:
- a) the trade name of the individual or the legal entity, permanent residence or registered office, the business identification number (IÈ); if the applicant is an individual, the application shall also contain the first name, surname, and birth certificate code number, if any, otherwise the date of birth; if the applicant is a legal entity the application shall also contain such data on its statutory body,
 - b) documents providing evidence of rejection of access to the transmission system or a distribution system,
 - c) the period for which the authorisation for direct line construction is required to remain in effect and the dates of start and completion of construction of the direct line,
 - d) basic information on the direct line in accordance with the Transmission System Operating Rules or Distribution System Operating Rules,
 - e) planned location of the line,
 - f) opinion based on assessment of environmental impact, based on a special legal regulation,⁸⁾

⁷⁾ Act No. 50/1976 Coll. on Town Planning and the Building Code

⁸⁾ Act No. 244/1992 Coll. on Assessment of Environmental Effects.

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- g) opinion of the transmission system operator or the appropriate distribution system operator as to the satisfaction of the conditions of connection and transport,
 - h) documents to prove the availability of sufficient funds to build the direct line.

(2) Availability of sufficient funds shall mean the ability of the individual or legal entity applying for the granting of authorisation to ensure that the construction of the direct line is started and completed as planned, and the ability to ensure that the commitments resulting therefrom are carried out.

(3) Availability of sufficient funds shall be proved by evidence of business assets and the volume of available finance, the financial statements verified by an auditor, including long-form footnotes thereto, provided that the individual or the legal entity performed business activities in the previous year.

(4) The requisites of the application for the granting of authorisation for construction of a direct line, including the master format of the application for authorisation and including also the details of the process of assessment of such an application, shall be specified in the implementing legal regulation.

Section 41 **Decision on the Granting of Authorisation for Direct Line Construction**

(1) The decision in respect of the granting of authorisation for the construction of a direct line shall contain:

- a) the trade name of the individual or the legal entity, permanent place of residence or registered office, the business identification number (IĚ); if the decision is made in respect of an individual, it shall also contain the first name and surname and the birth certificate code number, if any, otherwise the date of birth; if the applicant is a legal entity the application shall also contain such data on its statutory body,
- b) period for which the authorisation is to be in effect,
- c) the expected date of start of construction and completion thereof, including the expected date of commencement of operation,
- d) basic information on the direct line in accordance with the Transmission System Operating Rules or Distribution System Operating Rules,
- e) information on the location of the direct line,
- f) conditions of environmental protection,
- g) compliance with the conditions of connection and transport, including the influence of the direct line on the safety and reliability of operation of the Grid.

(2) The holder of the authorisation for direct line construction shall notify the Ministry without delay of any change in the data contained in the application for the granting of authorisation or any other important information relating to the authorisation granted.

(3) The Ministry shall maintain records of all direct line construction authorisations granted.

Section 42
Expiry of Authorisation for Construction of Direct Line

The authorisation for direct line construction shall lapse:

- a) with the expiration of the time for which it was granted, unless the period is extended on the basis of the authorisation holder's application for such an extension,
- b) if an individual: with the death of the direct line construction authorisation holder, or upon his/her being declared dead,
- c) if a legal entity: upon declaration of bankruptcy of the authorisation holder, or rejection of its bankruptcy petition for lack of assets,
- d) if a legal entity: with the dissolution of the legal entity which is a direct line construction authorisation holder,
- e) on the basis of the authorisation holder's application for cancellation of the authorisation granted,
- f) by the Ministry's decision to revoke the direct line construction authorisation on the grounds of gross violation of the conditions under which the authorisation was granted, including the authorisation holder's entry in liquidation.

Section 43
Obligations of the Direct Line Owner

(1) The direct line owners shall:

- a) in compliance with the signed contract, respect the Transmission System Operating Rules, the respective Distribution System Operating Rules and the Grid Code,
- b) arrange for connection of the direct line to the transmission system or distribution system at its own cost,
- c) enable the operator of the transmission system or the operator of a distribution system to which the direct line is connected to install the metering (measuring) device and pay for the installation; the types of the metering devices, method of installation, location and other details of metering shall be contained in the Transmission System Operating Rules of the respective Distribution System Operating Rules,
- d) implement appropriate technical measures to prevent impact on electricity quality to the detriment of other electricity market participants,
- e) submit technical information on the direct line to the transmission system operator or the respective distribution system operator,
- f) in emergency situations, make it possible to the transmission system operator or the respective distribution system operator to use the direct line for their purposes and respect the instruction of the respective technical dispatching centre.

(2) Decision on the method of connection of the direct line to the transmission system or a distribution system shall be made by the operator of the transmission system or operator of the respective distribution system.

Section 44
Electricity Imports Restriction

(1) The Ministry may decide to limit electricity imports from other countries to individuals or legal entities in the event that:

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- a) persons or assets in the territory of the Czech Republic may be exposed to direct or indirect danger,
 - b) the obligations and duties of electricity generators and eligible customers in the country from where electricity is imported, are not comparable with the rights and obligations of electricity generators and eligible customers in the Czech Republic,
 - c) the environmental effects of electricity generators in the country from where electricity is imported are not comparable with such effects of electricity generators in the Czech Republic.
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- a) (2) Until 1 January 2005, the Ministry may, upon the basis of notification from the market operator or transmission system operator, decide to limit electricity import from foreign countries by individuals or legal entities in the case of danger to the integrity of the Grid and the safety and reliability of operation thereof.

Section 45 The Supply Main

(1) The supply main must be installed and operated in compliance with the contract and with the Transmission System Operating Rules or the respective Distribution System Operating Rules.

(2) The costs of installation of the supply main shall be paid by the party for whom it was installed.

(3) The party which paid for the installation of the supply main shall be the owner of the supply main.

(4) The owner of the electricity supply main shall secure its operation, maintenance and repairs so as to prevent it from causing danger to the life and health of persons or danger to property.

(5) The distribution system operator shall operate, maintain and repair the supply main for a consideration if the owner so requests in writing.

(6) If an electricity consumption facility is connected via a loop, such a connection shall not be deemed to be a supply main.

(7) A low-voltage electricity supply main serves to connect one real estate (building); more real estates may also be connected if the respective distribution system operator so agrees. The low-voltage overhead electricity supply main ends at the service entrance fuse box; the low-voltage cable electricity supply main ends at the service entrance cable box. These boxes are considered to be part of the electricity supply main. The service entrance fuse box or the service entrance cable box are located on the buyer's premises or at the border of the buyer's property or near such a border.

(8) If there is no service entrance fuse box on the buyer's premises, the overhead low-voltage supply main shall end at the anchorage point located on those premises or at the terminal of the main circuit breaker on the premises. The anchorage point shall be deemed to be part of the supply main.

(9) If there is no service entrance cable box on the buyer's premises, the cable low-voltage supply main shall end at the terminal of the main circuit breaker on the premises or in the cable box inside the premises.

(10) Any electricity supply main other than low-voltage, if an overhead line, shall end at the guy insulators at the buyer's station and, if a cable, at the cable terminal at the buyer's station. The guy insulators and cable terminals shall be deemed to be part of the supply main.

(11) Shared in-house installations serving to connect more buyers from one supply main shall not be deemed to be part of the supply main. The shared in-house installations shall be deemed to be part of the premises.

Section 46 Protective bands

(1) The protected range of the equipment of the Grid is the area in the immediate vicinity of the equipment. The protected range is designed to secure reliable operation and protect persons' life, health and property. The protected range shall arise on the effective date of the zoning decision and planning permission.

(2) Protective bands are set up to protect overhead lines, underground lines, electric stations, electricity generating plants, and the lines of the metering (measuring), protective, control, security, information and telecommunication systems.

(3) The protected range of the overhead line is a continuous band delineated by the vertical planes along both sides of the line at a horizontal distance measured perpendicularly to the line. This distance from the marginal line on both sides shall be as follows:

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|---|-------|
| a) for voltages above 1 kV and up to do 35 kV (inclusive): | |
| 1. for bare conductors | 7 m, |
| 2. for conductors with basic insulation | 2 m, |
| 3. pro suspension cable lines | 1 m, |
| b) for voltages above 35 kV and up to 110 kV (inclusive) | 12 m, |
| c) for voltages above 110 kV and up to 220 kV (inclusive) | 15 m, |
| d) for voltages above 220 kV and up to 400 kV (inclusive) | 20 m, |
| e) for voltages above 400 kV | 30 m, |
| f) for suspension cable lines 110 kV | 2 m, |
| g) for the licence holder's own telecommunication network equipment | 1 m. |

(4) In forest rides the transmission system operator or distribution system operator shall at its own expense maintain a clear band of land 4 m wide on either side of the footings of the support points of the overhead lines as referred to in Subsection 3 Clause a) Point 1 and Clauses b), c), d) and e), insofar as such a clear band of land is needed; the owners or users of the property concerned shall enable the transmission system operator or distribution system operator to do the work to that effect.

(5) The protected range of the underground lines of the Grid up to (and including) 110 kV and the lines of the control, metering and security systems shall be 1 m along both sides of the marginal cable; above 100V the protected range shall be 3 m along both sides of the marginal cable.

(6) The protected range of an electric station shall be delineated by vertical planes at a horizontal distance of:

- a) 20 m from the fence or the outer face of the outer walls - for outdoor electric stations and for stations at voltages higher than 52 kV in buildings,
- b) 7 m - for tower-type electric stations with voltage conversion from a level higher than 1 kV and lower than 52 kV to a low-voltage level,
- c) 2 m - for compact and masonry electric stations with voltage conversion from a level higher than 1 kV and lower than 52 kV to a low-voltage level,
- d) 1 m from the enclosure wall - for built-in electric stations.

(7) The protected range of an electricity generating plant is delineated by vertical planes at a horizontal distance of 20 m measured perpendicularly to the fence or the outer face of the outer wall of the electric station.

(8) It is not allowed in the protected range of the overhead and underground line, electricity generating plant and any electric station to:

- a) erect any buildings or install any structures or locate any other objects or store any flammable and explosive materials without consent of the owner of the electric equipment,
- b) perform any earthwork without consent of the owner of the electric equipment,
- c) perform any activities potentially threatening to affect the reliability and safety of operation of the electric equipment or the life, health and property of persons,
- d) perform any activities as may lead to the blocking or substantial limitation of access to the electric equipment.

(9) It is not allowed in the protected range of the overhead line to plant hop gardens and to leave any stands to grow to a height above 3 m.

(10) It is not allowed in the protected range of the underground line to plant permanent crop stands and ride over the line with machines having a total weight above 6 tonnes.

(11) If the technical and safety conditions allow and if there is no danger to the life, health or safety of persons, the transmission system operator or the respective distribution system operator may issue a written permission allowing activities to be performed in the protected range. Such permission is not deemed to be part of the building permission proceedings before the Building Authority and must specify the conditions under which it was issued.

(12) If equipment fed with direct current is installed in the immediate vicinity of the protected range where stray currents may arise and affect the underground line, the individuals or legal entities installing such equipment shall notify that to the transmission system operator or the respective distribution system operator and shall take measures to control such stray currents.

Section 47

Equipment moving over

(1) Relocation of the equipment of the transmission system or equipment of a distribution system shall mean a partial diversion of the line run or the moving of the equipment or any element thereof.

(2) Relocation of the equipment of the transmission system or equipment of a distribution system shall be provided by the owner of the equipment at the expense of the individual or entity for whom/which the relocation is provided.

(3) The ownership of the equipment of the transmission system or equipment of a distribution system shall not change after relocation.

Section 48 Contact of equipment

(1) The equipment of the transmission system, distribution systems and supply mains may cross any roads, railways, water courses, telecommunication lines, any piping systems and any other equipment, or - provided that no danger to the life, health and property of persons is involved - may run parallel with the roads, railways, water courses, telecommunication lines, piping systems and other equipment. Any such crossing or parallel run shall be adequate in respect of environmental protection and shall prevent any greater adverse effect on the interest of the owners concerned. Parallel run shall mean a situation where the protected range of certain equipment overlaps with the protected range, or safety zone, of other equipment.

(2) In the event of any repair or structural adaptations of the equipment, the operator of the equipment shall fully respect the views expressed by all the other users of the route, especially the prescribed technological process of the earthwork, to avoid any greater adverse effect on the interests of the owners of the equipment and property concerned.

Section 49 Metering

(1) Metering in the transmission system shall be provided by the transmission system operator. Metering in a distribution system shall be provided by the distribution system operator.

(2) Generators and end customers shall at their expense prepare the supply point or consumption point for installation of the metering devices in compliance with the conditions contained in the Transmission System Operating Rules of Distribution System Operating Rules upon previous discussion with the transmission system operator or distribution system operator.

(3) Generators, end customers and traders may with the consent of the transmission system operator or the respective distribution system operator install inspection-metering devices for their own use and at their own expense. Such metering devices must be clearly labelled.

(4) Generators and end customers shall notify the transmission system operator or the respective distribution system operator without delay of any faults in the metering devices, including any damage to the features protecting the metering device against tampering. Any intervention in the metering device without the consent of the transmission system operator or the respective distribution system operator shall be prohibited.

(5) The transmission system operator or the respective distribution system operator is entitled to secure the individual parts of the metering device against tampering.

(6) Generators or end customers shall enable access for the transmission system operator or the respective distribution system operator to the metering device and the non-measured parts of the electricity consumption facility to perform inspection, reading, maintenance, replacement or removal of the metering device.

(7) The transmission system operator or the respective distribution system operator shall provide installation of the metering device at the generator's or eligible customer's expenses and shall provide maintenance and regular checking of the correctness of metering at its [the operator's] own expenses.

(8) A generator or an eligible customer or trader having any doubt as to the correctness of the meter readings, or having found a fault on the metering device, shall be entitled to having the metering device tested. The transmission system operator or the respective distribution system operator shall, if so requested in writing by the generator or eligible customer or trader, replace the metering device or check whether the metering is correct within 15 days of receiving such a request.

(9) If a fault is found on the metering device, the costs relating to the testing of the metering device and checking of the correctness of the meter readings shall be borne by the transmission system operator or the respective distribution system operator. If no fault is found, the costs shall be borne by the individual or entity who/which requested in writing the testing of the metering device and checking of the correctness of the meter readings.

(10) For protected customers, electricity consumption metering is provided by the operator of the respective distribution system, including regular testing of the correctness of meter readings.

(11) A protected customer having any doubt as to the correctness of the meter readings, or having found a fault on the metering device, shall be entitled to having the metering device tested. The distribution system operator shall, if so requested in writing by the protected customer, replace the metering device or check whether the metering is correct within 15 days of receiving such a request.

(12) If a fault is found on the protected customer's metering device, the costs relating to the replacement or testing of the metering device or checking of the correctness of the meter readings shall be borne by the distribution system operator. If no fault is found, the costs shall be borne by the protected customer. The types of metering devices, the manner of installation thereof and the location thereof are specified in the Distribution System Operating Rules.

Section 50

Electricity Supply Contract

(1) An electricity supply contract shall be concluded with respect to each electricity supply point.

(2) An electricity supply contract shall contain information including, but not limited to:

- a) the capacity, quantity and time schedule of electricity consumption and the electricity supply point ("load curve"), including also such information for the emergency state; details shall be specified in the electricity market rules,
- b) the prices, or the method of the pricing of, and terms of payment for, the electricity consumed, including any prepayments,
- c) method of electricity consumption metering,
- d) the manner in which the respective distribution system operator's access to the end customer's metering device is provided.

(3) The consent of the owner of the property concerned shall be submitted by the protected customer in respect of the electricity supply contract.

Section 51 **Unauthorised Consumption of Electricity from the Grid**

(1) The following shall be deemed to be unauthorised consumption of electricity:

- a) consumption without a valid electricity supply contract or consumption in contradiction with the electricity supply contract in force,
- b) consumption in a situation where the customer repeatedly failed to comply with the agreed terms of payment for the electricity consumed, including prepayments,
- c) consumption in a situation where the customer fails to comply with the obligations resulting from the results of the assessment and settlement of actual consumption,
- d) consumption outside the metering device, unless consumption outside the metering device was agreed,
- e) connection to or consumption from the part of the electricity equipment through which unmetered electricity runs,
- f) consumption through a metering device:
 1. which fails to record consumption, or records consumption incorrectly to the detriment of the generator, trader, distribution system operator or transmission system operator as a result of an unauthorised intervention in the metering device or in any part or accessories thereof,
 2. which was not connected by the transmission system operator or the respective distribution system operator, or which fails to meet the conditions contained in the Transmission System Operating Rules or the respective Distribution System Operating Rules,
 3. on which the elements of protection against tampering were damaged, causing the metering device to made errors in the readings in favour of the buyer,
- g) consumption directly relating to an unauthorised intervention in the direct line or the distribution system equipment or transmission system equipment.

(2) In the event of unauthorised consumption, the buyer shall cover the actual damage so caused. If it is impossible to determine the damage so caused, the compensation for the damage shall be calculated as indicated in the conditions of connection and transport and in the conditions of connection and supplies to protected customers.

Section 52
Unauthorised Supply of Electricity to the Grid

- (1) The following shall be deemed to be unauthorised supply of electricity:
- a) supply without a valid electricity supply contract or supply in contradiction with the electricity supply contract in force,
 - b) supply outside the metering device, unless supply outside the metering device was agreed,
 - c) supply to the part of the electricity equipment through which unmetred electricity runs,
 - d) supply through a metering device:
 - 1. which fails to record supply, or records supply incorrectly as a result of an unauthorised intervention in the metering device or in any part or accessories thereof,
 - 2. which was not connected by the transmission system operator or the respective distribution system operator, or which fails to meet the conditions contained in the Transmission System Operating Rules or the respective Distribution System Operating Rules,
 - 3. on which the elements of protection against tampering were damaged,
 - e) supply directly relating to an unauthorised intervention in the direct line or the distribution system equipment or transmission system equipment.

(2) In the event of unauthorised supply, the generator shall cover the actual damage so caused. If it is impossible to determine the damage so caused, the compensation for the damage shall be calculated as indicated in the conditions of connection and transport.

Section 53
Unauthorised Electricity Transmission and Unauthorised Electricity Distribution

Unauthorised electricity transmission and unauthorised electricity distribution is electricity transport performed in contradiction with the conditions included in the Transmission System Operating Rules or the respective Distribution System Operating Rules, or in contradiction with the Grid Code; or electricity transport taking place in connection with unauthorised electricity supply or unauthorised electricity consumption; or electricity transmission and distribution without licence; and electricity transport without a valid electricity transport contract.

Section 54

Emergency state

(1) Emergency state in the electricity sector shall mean restriction of suspension of electricity supply across the territory of the Czech Republic or any part thereof owing to:

- a) natural disasters,
- b) measures adopted by public administration authorities during national emergency or state of war,¹⁰⁾
- c) breakdown of facilities for electricity generation, transmission and distribution,
- d) smog situations according to special regulations,
- e) terrorist attack.

(2) Emergency state for the whole territory of the country shall be declared by the transmission system operator through the media of mass communication and through the central control facilities, and shall notify the Ministry to that end.

(3) If the emergency state applies to a certain part of the territory of the country, the distribution system operators concerned shall declare such a state through the regional media and through the central control facilities, and shall notify the transmission system operator and the Ministry to that end.

(4) In states of emergency and in activities immediately preventing the rise of such states, all electricity buyers and all the individuals or legal entities doing business in the electricity sector shall accept the reduction of electricity consumption or electricity supply.

(5) In states of emergency, the transmission system operator and distribution system operator shall be entitled to use the customers' electricity generation and consumption facility to the essentially needed extent.

(6) Removal of the consequences of the emergency state within the Grid shall be managed and controlled by the transmission system operator.

(7) Removal of the consequences of the emergency state in specific parts of the territory of the State shall be managed and controlled by the respective distribution system operators.

(8) The steps to be taken in the case of imminent or existing emergency state and the steps to be taken to prevent the emergency state or remove the consequences thereof within the Grid shall be laid down in the implementing legal regulation.

¹⁰⁾ Constitutional Law No. 110/1998 on the Security of the Czech Republic

Part 2

Gas

Section 55 The Gas Market

(1) To secure reliable and efficient supply of gas while protecting the environment, the gas market in the territory of the Czech Republic shall be organised on the basis of agreed access to the transmission system, on the basis of regulated access to the distribution systems and on the basis of authorisation access to the construction of selected gas equipment, depending on the conditions defined herein.

(2) The gas market shall be opened, step-by-step, in the following manner:

- a) starting from 1 January 2005, the market shall open to an extent of 20% of the total gas consumption in the Czech Republic at a minimum. The possibility to select the gas supplier in each calendar year shall be enjoyed, to the extent of their in-production consumption, by the electricity generation licence holders using gas in gas-fired thermal power plants or in combined electricity and heat generating units, and, to the extent specified in the pertinent implementing legal regulation, eligible customers and gas distribution licence holders; in the minimum case, such a possibility shall be enjoyed by the eligible customers whose gas purchase volume according to gas meter readings in the previous calendar year at one supply point was higher than 15 mil. m³, and, to the extent given by their eligible customers, by the gas distribution licence holders who/which must supply sufficient volumes of gas to such customers,
- b) starting from 10 August 2008 the market shall open to an extent of 33 % of the total gas consumption in the Czech Republic at a minimum. The possibility to select the gas supplier in each calendar year shall be enjoyed, to the extent of their in-production consumption, by the electricity generation licence holders using gas in gas-fired thermal power plants or in combined electricity and heat generating units, and, to the extent specified in the pertinent implementing legal regulation, eligible customers and gas distribution licence holders; in the minimum case, such a possibility shall be enjoyed by the eligible customers whose gas purchase volume according to gas meter readings in the previous calendar year at one supply point was higher than 5 mil. m³ and by the gas distribution licence holders who/which must sufficient volumes of gas to their eligible customers.

(3) Details of the opening of the gas market shall be laid down in the implementing legal regulation.

Section 56 Gas Market participants

(1) The gas market participants shall include the following:

- a) generators,
- b) transmission system operator,
- c) distribution systems operators,
- d) underground gas storage facilities operators,
- e) gas traders,

f) end customers.

(2) The gas market activities shall be effected using the following gas system facilities:

- a) generating plants,
- b) transmission system,
- c) distribution systems,
- d) direct gas lines,
- e) underground gas storage facilities,
- f) gas service connections.

Section 57 Generator

(1) The generator shall be entitled:

- a) to have its generating plant connected to the transmission system or distribution system if the generator applies therefor and if the generator complies with the connection conditions specified in the Transmission System and Distribution Systems Operating Rules in the Gas Sector ("Operating Rules") laid down by the implementing regulation,
- b) supply gas on a contractual basis to the transmission system operator, the respective distribution system operator or the eligible customer,
- c) restrict or suspend to the necessary extent the supply of gas to the customers:
 - 1. in cases of immediate danger to the life, health or property of persons, and in cases of removal of such situations,
 - 2. in states of emergency or in activities immediately preventing such states from arising,
 - 3. in cases of unauthorised gas consumption,
 - 4. in cases of defects and the removal thereof in facilities serving for gas production or recovery.

(2) In cases referred to in Subsection 1 Clause c) Point 5, the generator shall notify its customers in writing about the commencement and end of any restriction or suspension of gas supply, and shall do so at least 15 days in advance,

(3) In cases referred to in Subsection 1 Clause c), the generator shall resume gas supply as soon as the causes of the restriction or suspension are removed.

(4) In cases referred to in Subsection 1 Clause c) no title to damages and lost profit compensation may be claimed. This provision shall not apply if the generator fails to discharge its notification duty referred to in Subsection 2.

(5) The generator shall:

- a) have its plant connected at its own cost to the transmission system or distribution system,
- b) ensure that its plant operates safely and reliably,
- c) provide the operator of the transmission system or distribution system to which its generating facilities are connected with any information needed to mutually facilitate the operability of the systems,
- d) have a metering device installed at its own cost upon prior consent of the operator of the transmission system or the distribution system to which generator it is connected,

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- e) ensure the measurement of the volume of gas supplied to the transmission system or distribution system, including the evaluation and interpretation thereof, and submit the essential information to the main Gas Dispatching Centre,
 - f) propose prices for the gas sold and supplied to the transmission system or distribution system
 - g) maintain separate accounts in respect of gas production for regulation purposes on the basis of the implementing regulation,
 - h) prepare the balance of generation and submit it to the main Gas Dispatching Centre,
 - i) within 6 months of being granted the gas production licence, prepare contingency plans for the gas generating plants, send them to the Ministry and the main Gas Dispatching Centre and update them on an annual basis,
 - j) set up and operate a technical dispatching centre to be responsible for the central control of gas production. Such a technical dispatching centre shall respect the Grid Code of the Gas System of the Czech Republic.

Section 58 **Transmission System Operator**

- (1) The transmission system operator shall be entitled to:
- a) deny access to the system within the extent specified under Section 55 for reasons of lack of capacity in cases when such an access would be in contradiction with the Operating Rules, in cases referred to in Section 75 or for reasons of major economic and financial difficulty with the contracts in which the customer undertakes to pay for the agreed volume of gas irrespective of whether that volume was actually taken or was not ("take or pay" contracts), or in cases of the possibility of the rise of such conditions,
 - b) deny access to the system in the case of supplies from a country where the obligations and duties of suppliers and eligible customers are not comparable with the rights and obligations of suppliers and eligible customers in the Czech Republic,
 - c) establish and operate an own telecommunication network to control, measure, secure and automate the operation of the gas system and to transmit the information needed for the functioning of the computers and information systems,
 - d) set up and operate gas equipment on other owners' property in compliance with the conditions indicated in the zoning decision and planning permission,
 - e) enter another owner's property with personnel and vehicles for purposes of setting up and operating of the transmission system,
 - f) remove and cut back trees and other growths endangering safe and reliable operation of the transmission system, and remove such trees and lopping, if this has not been done by the owner or user after having been asked to do so,
 - g) enter, in accordance with special regulations, in the closed areas and facilities used for the activities and services of the Ministry of Defence, Ministry of Interior, Ministry of Justice, the Security Information Service and operating property of the Railways, and may likewise enter the property where special telecommunication facilities are located, the extent and manner of such entries being as needed for the performance of the licensed activities,
 - h) in states of emergency, use to the extent necessary the gas equipment of the gas undertaking for which gas is transported,
 - i) restrict or suspend transport based on signed agreements in the following cases:
 - 1. if there is immediate danger to the life, health or property of persons and when such situations are being removed,

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2. in states of emergency or in activities immediately relating to the prevention of the rise of such states,
 3. when planned refurbishment and planned repairs are made in the transmission system facilities,
 4. when defects occur and are being removed in the transmission system equipment,
 5. when gas is used in equipment that causes danger to the life, health or property of persons,
 6. in cases of unauthorised gas consumption

(2) In the event that it is impossible to establish servitude on a contractual basis with the owner of the property, or the owner of the property concerned is not known or identified, or such an owner has been proved to be inaccessible or inactive or has failed to reach agreement with the transmission system operator, the appropriate Building Authority may, on the transmission system operator's proposal, issue a decision on establishment of servitude to enable the use of the property or any part thereof for purposes referred to in Subsection 1 Clause d).

(3) In the event that, exercising its rights as referred to in Subsection 1 Clauses c) to h), the transmission system operator causes damage to the property held by a freeholder or leaseholder or the transmission system operator limits such a freeholder or leaseholder in respect of the normal use of the property, then such a holder shall be entitled to a reasonable single compensation⁵⁾, including also the payment of the costs of an expert opinion. The claim for such a compensation shall be filed with the transmission system operator which caused the damage to the property or the limitation of the use thereof within six months of the date on which such a freeholder or leaseholder first learned of such a damage or limitation.

(4) In the cases referred to in Subsection 1 Clauses c) to h) the transmission system operator shall respect to the maximum extent possible the rights of the owners of the property concerned and shall immediately notify them of its access to their property. Upon completion of the work the transmission system operator shall bring the property to its previous state, and if that is impossible because of the type of work performed there, the transmission system operator shall bring the property concerned to a state adequate to its previous purpose or use, and shall immediately notify that to the owner of the property. Upon removing or cutting back the trees the transmission system operator shall at its own expenses remove the lopping and other waste produced by the intervention.

(5) In cases referred to in Subsection 1 Clause i) Point 3, the transmission system operator shall notify those for whom the operator transports gas about the start and end of the restriction or suspension of gas transmission, doing so no later than 15 days in advance.

(6) In cases referred to in Subsection 1 Clause i), the transmission system operator shall resume gas transport as soon as the causes responsible for the restriction or suspension of gas transport are removed.

(7) In cases referred to in Subsection 1 Clause i), no title to damages and lost profit compensation may be claimed. This provision shall not apply if the transmission system operator fails to discharge the notification duty referred to in Subsection 5, or if in the cases referred to in Subsection 1 Clause i) Point 4 the quality of gas supply is not maintained as required according to the implementing legal regulation.

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- (8) The transmission system operator also shall:
- a) secure safe and reliable operation and development of the transmission system,
 - b) secure gas supply on contractual basis at regulated prices and at the required quality to the protected customers directly connected to the transmission system, doing so on the basis of contracts signed separately for each supply point,
 - c) provide gas transmission on the basis of signed contracts,
 - d) connect to the transmission system any applicant who/which so requests and meets the connection conditions as laid down in the Operating Rules,
 - e) provide equal conditions for agreed access to the transmission system,
 - f) provide the operators of the distributions systems with which the transmission system is interconnected, with information needed to mutually secure the operability of their systems,
 - g) secure metering at the level of the transmission system, including the assessment and interpretation thereof, and submit the necessary information to the main Gas Dispatching Centre,
 - h) propose framework conditions for gas transmission and submit such proposals to the Energy Regulatory Office for approval,
 - i) maintain separate accounts in respect of gas transmission for regulation purposes, doing so on the basis of the pertinent implementing legal regulation,
 - j) prepare the balance of the transmission system and the balance of satisfaction of the needs of protected customers, and submit such information to the main Gas Dispatching Centre,
 - k) within 6 months of being granted the gas transmission licence, prepare contingency plans for the transmission system, send them to the Ministry and the main Gas Dispatching Centre and update them on an annual basis,
 - l) announce the extent and dates of gas transmission facilities down time and notify the expected reduction of the transmission capacity,
 - m) set up and operate a technical dispatching centre to be responsible for the central control of the transmission system; the technical dispatching centre shall respect the Grid Code of the Gas System of the Czech Republic,
 - n) allow access to the transmission system on the basis of Section 55,
 - o) establish and operate quality monitoring points,
 - p) secure the reliability and quality of supply to the protected customers directly connected to the transmission system,
 - q) provide gas transport from various sources,
 - r) declare emergency state in the gas system of the Czech Republic,
 - s) control and manage the gas system of the Czech Republic in the emergency state.

Section 59

Distribution System Operator

- (1) The distribution system operator shall be entitled to:
- a) deny access to the system within the extent specified under Section 55 for reasons of lack of capacity in cases when such access would be in contradiction with the Operating Rules, or in cases referred to in Section 75 or for reasons of major economic and financial difficulty with the "take or pay" contracts, or in cases of the possibility of the rise of such conditions,
 - b) deny access to the system in the case of supplies from a country where the obligations and duties of suppliers and eligible customers are not comparable with the rights and obligations of suppliers and eligible customers in the Czech Republic,

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- c) establish and operate an own telecommunication network to control, measure, secure and automate the operation of the distribution system and to transmit the information needed for the functioning of the computers and information systems,
 - d) set up and operate gas equipment on other owners' property in compliance with the conditions indicated in the zoning decision and planning permission,
 - e) enter other owners' property with personnel and vehicles for purposes of setting up and operating the distribution system and gas service connections,
 - f) remove and cut back trees and other growths endangering safe and reliable operation of the distribution system, and remove such trees and lopping, if this has not been done by the owner or user after having been asked to do so,
 - g) enter, in accordance with special regulations, in the closed areas and facilities used for the activities and services of the Ministry of Defence, Ministry of Interior, Ministry of Justice, the Security Information Service, and operating property of the Railways, and may likewise enter the property where special telecommunication facilities are located, the extent and manner of such entries being as needed for the performance of the licensed activities,
 - h) in states of emergency, use to the extent necessary the gas equipment of the customers for whom gas is distributed and supplied,
 - i) restrict or suspend distribution based on signed agreements in the following cases:
 1. if there is immediate danger to the life, health or property of persons and when such situations are being removed,
 2. in states of emergency or in activities immediately relating to the prevention of the rise of such states,
 3. when planned refurbishment and planned repairs are made in the distribution system facilities,
 4. when defects occur and are being removed in the distribution system facilities,
 5. when gas is used in facilities that cause danger to the life, health and property of persons,
 6. in cases of unauthorised gas consumption.

(2) In the event that it is impossible to establish servitude on a contractual basis with the owner of the property, or the owner of the property concerned is not known or identified, or such an owner has been proved to be inaccessible or inactive or has failed to reach agreement with the transmission system operator, the appropriate Building Authority may, on the transmission system operator's proposal, issue a decision on establishment of servitude to enable the use of the property or any part thereof for purposes referred to in Subsection 1 Clause d).

(3) In the event that, exercising its rights as referred to in Subsection 1 Clause c) to h), the distribution system operator causes damage to the property held by a freeholder or leaseholder or the distribution system operator limits such a freeholder or leaseholder in respect of the normal use of the property, then such a holder shall be entitled to a reasonable single compensation⁵⁾, including also the payment of the costs of an expert opinion. The claim for such a compensation shall be filed with the distribution system operator which caused the damage to the property or the limitation of the use thereof within six months of the date on which such a freeholder or leaseholder first learned of such a damage or limitation.

(4) In the cases referred to in Subsection 1 Clauses c) to h) the distribution system operator shall respect to the maximum extent possible the rights of the owners of the property concerned and shall notify them of its access to their property. Upon completion of the work

the distribution system operator shall bring the property to its previous state, and if that is impossible because of the type of work performed there, the distribution system operator shall bring the property concerned to a state adequate to its previous purpose or use, and shall immediately notify that to the owner of the property. Upon removing or cutting back the trees the distribution system operator shall at its own expenses remove the lopping and other waste produced by the intervention.

(5) In cases referred to in Subsection 1 Clause i) Point 3 the distribution system operator shall notify the customers for whom the operator distributes and supplies gas about the start and end of the restriction or suspension of gas distribution and supply, doing so no later than 15 days in advance.

(6) In cases referred to in Subsection 1 Clause i), the distribution system operator shall resume gas distribution and supply as soon as the causes responsible for the restriction or suspension of gas distribution are removed.

(7) In cases referred to in Subsection 1 Clause i), no title to damages and lost profit compensation may be claimed. This provision shall not apply if the distribution system operator fails to discharge the notification duty referred to in Subsection 5 or if in the cases referred to in Subsection 1 Clause i) Point 4 the quality of gas supply is not maintained as required according to the implementing legal regulation.

(8) The distribution system operator also shall:

- a) secure safe and reliable operation and development of the distribution system in the area delineated in the licence,
- b) provide gas distribution and gas supply to the protected customers on the basis of signed contracts at regulated prices and at the prescribed quality, the contracts being signed separately for each supply point,
- c) connect to the distribution system any applicant who/which so requests and meets the connection conditions as laid down in the Operating Rules,
- d) provide equal conditions for regulated access to the distribution system,
- e) provide the transmission system operator and the operators of the distribution systems with which its own system is interconnected, with information needed to mutually secure the operability of their systems,
- f) secure metering at the level of the distribution system, including the assessment and interpretation thereof, and submit the necessary information to the main Gas Dispatching Centre,
- g) propose conditions of payment for gas distribution and supply to protected customers and submit such proposals to the Energy Regulatory Office for approval,
- h) maintain separate accounts in respect of gas distribution and supply for regulation purposes according to the pertinent implementing regulation,
- i) prepare the balance of the distribution system and the balance of satisfaction of the needs of protected customers, and submit such information to the main Gas Dispatching Centre
- j) within 6 months of being granted the gas distribution licence, prepare contingency plans for the distribution system, send them to the Ministry and the main Gas Dispatching Centre and update them on an annual basis,
- k) announce the extent and dates of gas distribution facilities down time and notify the expected reduction of the distribution capacity,

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- l) set up and operate a technical dispatching centre to be responsible for the central control of the distribution system; the technical dispatching centre shall respect the Grid Code of the Gas System of the Czech Republic,
 - m) allow regulated access to the distribution system on the basis of Section 55,
 - n) set up and operate gas quality monitoring points, unless the monitoring points set up and operated by the transmission system operator are sufficient to serve the gas quality monitoring purpose,
 - o) secure the reliability and quality of supply to the protected customers,
 - p) declare emergency state within the distribution system concerned.

Section 60

Underground Gas Storage Facilities Operator

- (1) The underground gas storage facilities operator shall be entitled to:
- a) set up and operate an own telecommunication network to control, measure, secure and automate the operation of the underground gas storage facilities and to transmit the information needed for the functioning of the computers and information systems,
 - b) within the range of the conditions specified in the zoning and planning decision and the planning permission, set up and operate gas equipment in other owners' property,
 - c) enter another owner's property with personnel and vehicles for purposes of setting up and operating the underground gas storage facilities,
 - d) remove and cut back trees and other growths endangering safe and reliable operation of the underground gas storage facility, and remove such trees and lopping, if this has not been done by the owner or user after having been asked to do so if this has not been done by the owner or user after having been asked to do so,
 - e) enter, in accordance with special regulations, in the closed areas and facilities used for the activities and services of the Ministry of Defence and Ministry of Justice, and the operating property of the Railways, and may likewise enter the property where special telecommunication facilities are located, the extent and manner of such entries being as needed for the performance of the licensed activities,
 - f) restrict or suspend to the necessary extent the activities relating to the underground storage of gas in the following cases:
 - 1. if there is immediate danger to the life, health or property of persons and when such situations are being removed,
 - 2. in states of emergency or in activities immediately relating to the prevention of the rise of such states,
 - 3. when planned refurbishment and planned repairs are made in the gas storage facilities,
 - 4. when defects occur and are being removed in the gas storage facilities,
 - 5. in cases of unauthorised gas tapping.

(2) In the event that there is no approved zoning and planning documentation or the owner of the property concerned is not known or identified, or such an owner has been proved to be inaccessible or inactive or has failed to reach agreement with the underground gas storage facilities operator, the appropriate Building Authority may, on the underground gas storage facilities operator's proposal, issue a decision on establishment of servitude to enable the use of the property or any part thereof for purposes referred to in Subsection 1 Clause b).

(3) In the event that, exercising its rights as referred to in Subsection 1 Clause a) to e) the underground gas storage operator causes damage to the property held by a freeholder or leaseholder or the operator limits such a freeholder or leaseholder in respect of the normal use of the property, then such a holder shall be entitled to a reasonable single compensation⁵⁾, including also the payment of the costs of an expert opinion. The claim for such a compensation shall be filed with the underground storage operator which caused the damage to the property or the limitation of the use thereof within six months of the date on which such a freeholder or leaseholder first learned of such a damage or limitation.

(4) In the cases referred to in Subsection 1 Clauses a) to e) the underground gas storage facilities operator shall respect to the maximum extent possible the rights of the owners of the property concerned and shall notify them of its access to their property. Upon completion of the work the underground storage facilities operator shall bring the property to its previous state, and if that is impossible because of the type of work performed there, the transmission underground storage operator shall bring the property concerned to a state adequate to its previous purpose or use, and shall immediately notify that to the owner of the property. Upon removing or cutting back the trees the underground storage operator shall at its own expenses remove the lopping and other waste produced by the intervention.

(5) In cases referred to in Subsection 1 Clause f) Point 3 the underground gas storage operator shall notify the customers for whom the operator stores gas about the start and end of the limitation or suspension of activities relating to underground gas storage, doing so no later than 15 days in advance.

(6) In cases referred to in Subsection 1 Clause f), the underground gas storage operator shall resume activities relating to underground gas storage as soon as the causes responsible for the restriction or suspension of such activities are removed.

(7) In cases referred to in Subsection 1 Clause f), no title to damages and lost profit compensation may be claimed. This provision shall not apply if the underground gas storage facilities operator fails to discharge the notification duty referred to in Subsection 5.

- (8) The underground gas storage operator shall:
- a) secure reliable operation of the underground gas storage facilities,
 - b) provide gas storage on the basis of signed contracts,
 - c) provide the operator of the transmission system or the operator of the distribution system to which its underground gas storage facility is connected, with information needed to mutually secure the operability of their systems and facilities,
 - d) secure the metering of the incoming and outgoing gas, including the assessment and interpretation of the readings, and submit the necessary information to the main Gas Dispatching Centre,
 - e) maintain separate accounts for the underground storage of gas for regulation purposes according to the implementing regulation,
 - f) prepare the balance of underground storage sheet and submit it to the main Gas Dispatching Centre,
 - g) within 6 months of being granted the underground gas storage licence, prepare contingency plans for the underground gas storage facilities, send them to the Ministry and the main Gas Dispatching Centre and update them on an annual basis,
 - h) announce the extent and dates of underground gas storage facilities down time and notify the expected reduction of the storage capacity,

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- i) set up and operate a technical dispatching centre to be responsible for the central control of the underground gas storage facilities; the technical dispatching centre shall respect the Grid Code of the Gas System of the Czech Republic.

Section 61 Gas Trader

(1) The gas trader shall be entitled to purchase gas and sell it to other gas market participants, except the protected customers.

(2) The gas trader shall:

- a) observe the Grid Code of the Gas System of the Czech Republic,
- b) submit information from the technical parts of contracts to the main Gas Dispatching Centre.

Section 62 Eligible customer

(1) The eligible customer shall be entitled to:

- a) have its supply facility connected to the transmission system or the respective distribution system in compliance with the conditions specified in the Operating Rules,
- b) select its gas supplier,
- c) have an agreed volume of gas transported, as far as the eligible customer holds a signed contract with the transmission system operator or a distribution system operator and as far as the technical conditions of the transmission system or the respective distribution system allow for that,
- d) establishment of a direct gas line under conditions specified herein.

(2) The eligible customer shall:

- a) provide connection of its gas supply facility to the transmission system or the respective distribution system at its own cost,
- b) with respect to connection to the transmission system or the respective distribution system, observe the Operating Rules,
- c) make it possible for the operator of the transmission or distribution system to which the eligible customer is connected to install a metering device, and pay for the installation; the types of the metering device, the method of installation thereof and other details shall be as specified in the Operating Rules,
- d) provide access to the metering device for the operator of the system to which the eligible customer is connected,
- e) respect the instruction of the technical dispatching centres,
- f) submit information from the technical parts of contracts to the main Gas Dispatching Centre,
- g) maintain the gas supply facility in a state of repair in which it cannot become a cause of danger to the life, health or property of persons.

Section 63 Protected Customer

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- (1) The protected customer shall be entitled to:
- a) have its supply facility connected to the distribution system provided that the protected customer complies with the conditions specified in the Operating Rules,
 - b) be supplied with gas at regulated prices,
 - c) be supplied with gas supplies at the quality level defined in the implementing legal regulation.

- (2) The protected customer shall:
- a) contribute, according to the volume of gas required to be supplied, to the costs reasonably incurred by the distribution system operator in the connection and in providing the required supply, such contribution being calculated as described in the implementing legal regulation,
 - b) with respect to connection to the distribution system, observe the Operating Rules,
 - c) maintain the gas supply facility in a state of repair in which it cannot become a cause of danger to the life, health or property of persons,
 - d) allow the operator of the distribution system to which the protected customer is connected to install a metering device and provide access thereto.

- (3) The owner of the property to which gas is supplied on a contractual basis to protected customers located therein, shall:
- a) enable such supply to be provided to the protected customers,
 - b) maintain the common gas supply facility serving for such supply in a state of repair complying with the pertinent legal regulations and technical standards,
 - c) allow access to such a gas supply facility for the distribution system operator concerned.

(4) The common gas supply facility for gas supply in one building (property) shall be treated as part of that building (property).

Section 64

Gas Dispatching Centres

(1) The monitoring of the planning of gas supplies and consumption and the preparation of solutions for the emergency state shall be provided by the main Gas Dispatching Centre.

(2) The main Gas Dispatching Centre shall be a legal entity. All underground storage operators, the transmission system operator and those generators and distribution system operators which sold more than 100 million m³ of natural gas in the previous calendar year shall set up the main Gas Dispatching Centre within 2 months of the entry into effect hereof.

(3) The main Gas Dispatching Centre shall perform the following activities:

- a) monitor the planning of supplies and capacities within the gas system in order to prevent states of emergency,
- b) on the basis of the balances of gas transmission, distribution, generation, supplies, storage, as provided by the transmission system operator, underground gas storage operators, generators and gas traders, and on the basis of the main Gas Dispatching Centre's own analyses, prepare an over-all annual gas balance of the gas system and the assessment and interpretation thereof, and submit it to the Ministry and the Energy Regulatory Office. At the same time, it submits the gas system balance to the gas undertaking.

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- (4) The main Gas Dispatching Centre shall be entitled to:
- (a) request gas undertakings and gas traders to submit their balances of gas production, transmission, distribution, storage and supplies, including the assessment and interpretation thereof,
 - (b) request gas undertakings to submit their contingency plans.

- (5) The main Gas Dispatching Centre shall:
- a) prepare and submit to the Ministry a report on the gas system balances at least once monthly,
 - b) inform the Ministry about supplies from any country where the rights and obligations of suppliers and eligible customers are not comparable with those of gas suppliers and eligible customers in the Czech Republic,
 - c) provide protection to any proprietary information having the character of trade secret,
 - d) if so requested by the Ministry and the Energy Regulatory Office, provide information needed by the Ministry and the Energy Regulatory Office to exercise their rights and discharge their obligations,
 - e) prepare the contingency plan of the gas system of the Czech Republic and provide it to gas undertakings.

(6) The main Gas Dispatching Centre shall respect the Grid Code of the gas system of the Czech Republic.

(7) Details of the activities of the main Gas Dispatching Centre, including the handing-over of the balances, shall be provided in the implementing regulation.

(8) Equilibrium between gas resources and gas consumption and the safe and reliable operation of the gas system shall be provided by the Dispatching Centres of the gas undertakings.

(9) The gas undertaking's Dispatching Centres shall co-operate in accordance with the Grid Code of the Gas System of the Czech Republic.

(10) In states of emergency declared for the whole Czech Republic pursuant to Section 73 and during activities directly averting the rise thereof, the instructions issued by the Dispatching Centre of the transmission system operator shall be superior to the instructions of Dispatching Centres of the distribution system operators and the underground storage operators.

Section 65

Direct Gas Line

(1) Gas may be supplied to an eligible customer directly from the transmission system or from gas equipment outside the gas system of the Czech Republic; a direct gas pipeline shall be used to that end.

(2) The supplier and eligible customer may only build direct gas lines in instances where they were denied access to the distribution system or a transmission system.

(3) the direct gas line operator shall:

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- a) have the construction of the direct gas line authorised by the State in accordance herewith,
 - b) observe the Operating Rules,
 - c) install a metering device at its own cost upon prior consent of the operator of the system concerned,
 - d) respect the instructions of the technical dispatching centres,
 - e) submit information from the technical parts of contracts to the main Gas Dispatching Centre,
 - f) ensure the operation, maintenance and repairs of the direct gas line so as to avoid its becoming dangerous to the life, health or property of persons.

Section 66 Gas Service Connection

(1) The gas service connection shall be used to connect the distribution system and the gas supply facility.

(2) The costs of installation of the gas service connection shall be paid by the individual or legal entity in whose favour the gas service connection was installed.

(3) The owner of the gas service connection shall secure its operation, maintenance and repairs so as to avoid its becoming dangerous to the life, health or property of persons.

(4) The operator of the distribution system concerned shall operate, maintain and repair the gas service connection for a consideration if so requested by the owner of the service line connection.

Section 67 Construction of Selected Gas Equipment

(1) Construction of selected gas equipment is only allowed upon government authorisation ("authorisation"). Decision to grant the authorisation shall be made by the Ministry.

(2) Selected gas equipment include:

- a) direct gas lines,
- b) underground gas storage facilities,
- c) gas lines connecting the gas system with other countries' gas systems,
- d) gas lines at a pressure above 0,4 MPa.

(3) Authorisation shall be non-transferable to any other legal entity or individual. Authorisation shall be granted for the period indicated in the application which, however, shall not be longer than 5 years of the date of granting. The duration of the authorisation may be extended upon the holder's request. The application for extension shall be filed at least 6 months before the expiration date of the authorisation.

(4) There shall be no automatic legal title to the granting of authorisation for the construction of selected gas equipment. The factors to be considered before such an

authorisation is granted shall include, without limitation, the effectiveness and efficiency of the use of available energy sources.¹¹⁾

(5) In matters relating to the granting of authorisation, the Ministry party to the planning proceedings and shall also be the state body involved in the building permission proceedings in accordance with a special legal regulation.⁷⁾

(6) The written application for authorisation to be submitted to the Ministry by the applicant for authorisation shall contain:

- a) the trade name of the individual or the legal entity, permanent place of residence or registered office, the Identification Number (IÈ); if the applicant is an individual, the application shall also contain the first name, surname, and birth certificate code number, if any, otherwise the date of birth; if the applicant is a legal entity the application shall also contain such data on its statutory body,
- b) the required duration of the authorisation,
- c) the required characteristics of the selected gas equipment,
- d) the planned location of the selected gas equipment,
- e) statement of the Ministry of Environment indicating that the gas equipment complies with environmental protection regulations,^{8), 9)}
- f) statement of the transmission system operator or distribution system operator concerned indicating that the conditions of connection to the system are agreed,
- g) evidence of having been denied access to the transmission or distribution system in the case of direct gas line construction.
- h) documents to prove availability of sufficient funds to build the selected gas equipment.

(7) Availability of sufficient funds shall mean the ability of the individual or legal entity applying for the granting of authorisation to ensure that the construction of the selected gas equipment is started and completed as planned, and the ability to ensure that the commitments resulting there from are carried out.

(8) Availability of sufficient funds shall be proved, in particular, by evidence of business assets and the volume of available finance, the financial statements verified by an auditor, including long-form footnotes thereto, provided that the individual or the legal entity performed business activities in the previous year.

(9) The authorisation holder shall without delay notify the Ministry of any change in the information shown in the application for authorisation and/or any other important information relating to authorisation.

(10) The decision on the granting of authorisation shall have the form of administrative decision and shall contain information including, but not limited to:

- a) the trade name of the individual or the legal entity, permanent place of residence or registered office, the Identification Number (IÈ); if the applicant is an individual, the application shall also contain the first name, surname, and birth certificate code number, if any, otherwise the date of birth,
- b) the duration of the authorisation
- c) time of construction and the expected date of commissioning,
- d) basic data on the gas equipment,

¹¹⁾ Act No. ... Coll., on Energy Management

⁷⁾ Act No. 50/1976 Coll. on Town Planning and the Building Code

e) location of the selected gas equipment

(12) The Ministry shall maintain records of the authorisations granted.

(11) The authorisation shall lapse:

- a) with the expiration of the time for which it was granted, unless the duration of the authorisation was extended upon the holder's request
- b) if the authorisation holder is an individual: with the death of the authorisation holder,
- c) if the authorisation holder has been declared bankrupt or a petition to declare the authorisation holder bankrupt was suspended owing to insufficient assets.
- d) if the authorisation holder is a legal entity: with the dissolution of that legal entity,
- e) on the basis of the authorisation holder's application for cancellation of the authorisation granted,
- f) with the Ministry's decision to revoke the authorisation on the grounds of gross non-compliance with the conditions underlying the granting of the authorisation, including entry of the authorisation holder in liquidation.

(12) The contents of the application for the granting, changing, extension and revocation of authorisation, including the master format of the applications, shall be specified by the Ministry in an implementing legal regulation.

Section 68 **Protective bands**

(1) Protective bands shall serve to protect gas equipment.

(2) For purposes hereof, protected range shall mean a compact space in the immediate vicinity of the gas equipment, delineated by vertical planes running at certain horizontal distances from the ground plan of the gas equipment.

(3) The protective bands shall be as follows:

- a) for low- and medium-pressure gas lines and gas service connections by which gas is distributed in the built-up parts of urban areas 1 m on both sides of the ground plan
- b) for other gas lines and service connections 4 m on both sides of the ground plan
- c) for technological facilities 4 m on all sides of the ground plan

(4) In special cases, particularly in the vicinity of mining operations, waterworks and extensive underground structures which might affect the stability of location of the gas equipment, the Ministry may determine that the protective bands shall be up to 200 m.

(5) In the protective bands of facilities serving for gas production, transmission, distribution and underground storage, as well as outside such protective bands, it is not allowed to perform activities which might eventually threaten such facilities, their reliability and the safety of their operation.

(6) Where adequate technical and safety conditions exist and the lives, health or safety of persons are not exposed to danger, construction activities, location of structures, earthworks, setting up of waste dumps and storage of material in the protective bands are only allowed with prior consent of the licence holder responsible for the operation of the gas equipment concerned. Such consent shall not be part of the planning procedure with the construction authorities and shall contain description of the conditions under which such activities may be performed. Planting of permanent cultures rooting to a depth greater than 20 cm above the surface of the gas line shall be subject to such consent only in the clear strip of land 2 m on both sides of the axis of the pipeline.

(7) In forest rides, the transmission system operator or the respective distribution system operator shall maintain at its own expense a clear strip of land 2 m on both sides of the axis of the gas line; the owners or users of that property shall make it possible for the operators to perform such activities.

Section 69 Security Zones

(1) Security zones are designed to prevent or alleviate the consequences of accidents, if any accidents occur in the gas equipment, and to protect the lives, health and property of persons.

(2) For purposes hereof, security zone shall mean the space delineated by the horizontal distance from the ground plan of the gas equipment, as measured perpendicularly to the outline thereof.

(3) Where adequate technical and safety conditions exist and the lives, health or safety of persons are not exposed to danger, structures may only be built in the security zones with the prior written consent of the individual or the legal entity responsible for the operation of the gas equipment concerned.

(4) The extent of the security zones is shown in the Schedule hereto.

Section 70 Relocation of Gas Equipment

(1) For purposes hereof, relocation of gas equipment shall mean a partial diversion of the gas line or gas service connection or the moving of the gas equipment or any element thereof.

(2) Relocation shall be effected by the owner of the gas equipment at the expense of the individual or legal entity responsible for the rise of the need for such relocation, unless otherwise agreed on a contractual basis.

(3) Ownership of the gas equipment shall not change upon relocation.

Section 71 Metering

- (1) Gas consumption shall be measured by a metering device.
- (2) The metering device and the installation thereof shall comply with the Operating Rules set out in the implementing legal regulation.
- (3) Generators, end customers and underground gas storage facilities operators shall at their own cost prepare the supply point, in accordance with the Operating Rules, for installation of the metering device, having discussed the matter with the of the transmission system operator or the respective operator of the distribution system to which they are connected.
- (4) Any handling of the metering device without the consent of the transmission system operator or distribution system operator concerned is prohibited.
- (5) Generators, end customers and underground gas storage facilities operators shall enable at any time access to the metering device for the transmission system operator or distribution system operator to perform inspection, reading, maintenance, replacement or removal of the metering device.
- (6) The transmission system operator or distribution system operator shall be entitled to secure the individual parts of the metering device against tampering. If the customer finds that the metering device is damaged, the customer shall immediately notify that to the transmission system operator or distribution system operator.
- (7) The transmission system operator or distribution system operator shall provide installation of its own metering device at the expense of the generator, eligible customer or underground gas storage operator and shall at its own cost provide maintenance thereof and regular checking of the correctness of the metering.
- (8) If the generator, end customer or underground gas storage operator has any doubt as to the correctness of the readings or finds a defect on the metering device, then the generator, end customer or underground gas storage operator shall be entitled to have the metering device tested. The transmission system operator or the respective distribution system operator shall, upon a written request received from the generator, end customer or underground gas storage operator, replace the metering device or provide the checking of the readings for correctness within 15 days of the delivery of such a request.
- (9) If any defect is found on the metering device, the costs relating to the testing thereof and to the checking of the readings for correctness shall be paid by the transmission system operator or the distribution system operator. In the absence of defect, such costs shall be borne by the generator, end customer or underground gas storage facilities operator.
- (10) The operator of the system to which a protected customer's gas supply facility is connected shall measure gas consumption by such a customer, using the operator's own metering device. The operator shall provide the installation, connection and maintenance of its the metering device and regularly check it for correctness of the readings.

(11) In the event of a defect in the metering device, the volume of gas consumed shall be determined on the basis of the Operating Rules.

(12) In gas supply facility through which non-metered gas passes, no interventions may be made without prior written consent of the respective distribution system operator.

Section 72

Details of the Contract for Gas Supply to End Customers

(1) The contract for gas supply to end customers shall be made in writing and there shall be a separate contract for each supply point. Any contract for gas supply to end customers shall contain:

- a) the price for the gas consumed and the terms of payment thereof, including any prepayments,
- b) arrangement as to the method of the measurement (metering) of gas consumption and the transmission system operator's or distribution system operator's access to the metering device,
- c) volume of gas consumption and the time schedule thereof in respect of the end customers whose annual consumption is higher than 60 thousand m³,
- d) consent of the owner of the property concerned if a newly established gas consumption facility is involved.

Section 73

Emergency state

(1) Emergency state in the gas sector shall mean gas supply restriction or suspension across the territory of the Czech Republic or any part thereof because of:

- a) natural disasters,
- b) measures adopted by public administration authorities during national emergency or state of war,¹⁰⁾
- c) breakdown of equipment for gas production, transmission, distribution and storage,
- d) long-continued lack of gas sources,
- e) terrorist attack.

(2) The commencement and end of the emergency state for the whole territory of the Czech Republic shall be announced by the transmission system operator through media of public communication or in any other suitable manner and shall notify in writing the Ministry and the State Material Reserves Administration Board to that effect.

(3) If the emergency state applies only to a part of the territory of the Czech Republic, the commencement and end of the emergency state shall be announced by the respective distribution system operator through media of public communication or in any other suitable manner and shall notify in writing the Ministry, the transmission system operator and the State Material Reserves Administration Board to that effect.

¹⁰⁾ Constitutional Law No. 110/1998 on the Security of the Czech Republic

(4) In states of emergency and in activities immediately preventing the rise of such states, all customers and licence holders in the gas sector shall accept the reduction of gas consumption in accordance with the instructions of the transmission system operator in cases referred to in Subsection (2) above and with the instructions of the distribution system operator in cases referred to in Subsection (3) above.

(5) Immediately following any accident or announcement of the emergency state, gas undertakings shall start removing the consequences thereof in accordance with the contingency plans.

(6) If a major breach of the supply of gas occurs in a state-of-emergency situation, particularly in cases of extensive accidents in the facilities for gas production, transmission and distribution, the gas undertakings having appropriate technical conditions shall take part in the removal of the accidents and in the resumption of the supplies.

(7) The removal of the accidents and resumption of supplies as referred to in the previous Subsection shall be co-ordinated by the transmission system operator in cases referred to in Subsection (2) above or by the distribution system operator in cases referred to in Subsection (3) above.

(8) Details of the actions of prevention of states of emergency, actions to be taken when the emergency state occurs and actions to be taken to remove the consequences thereof, as well as the extent and method of restriction on gas consumption and the contents of the contingency plans shall be set forth in the implementing legal regulation.

(8) When the emergency state is declared or measures are taken to prevent the rise of such a state, no title to damages and lost profit compensation may be claimed.

Section 74

Unauthorised Gas Consumption

(1) Unauthorised gas consumption shall mean:

- a) consumption in absence of any signed gas supply contract, or consumption in violation of a signed gas supply contract,
- b) consumption in a situation where the customer repeatedly failed to comply with the agreed terms of payment for the gas consumed, including prepayments,
- c) consumption in absence of any metering device,
- d) consumption from a part of the facility where the passing gas is not metered,
- e) consumption through a metering device:
 1. which does not register the consumption or does so incorrectly to the detriment of the gas undertaking or gas trader, owing to the tampering of the metering device or any part thereof or any accessories thereto,
 2. which was not connected by the appropriate gas undertaking or whose connection was not approved by the appropriate gas undertaking,
 3. whose protection against tampering was corrupted,
- f) consumption directly relating to tampering of the direct gas line or a distribution system facility, transmission system facility, gas production or recovery facility or gas storage facility.

(2) Upon unauthorised consumption the customer shall compensate the damage actually caused. In instances where the actual damage cannot be effectively determined the compensation for the damage shall be calculated on the basis of the Operating Rules.

Section 75 **Gas Import Restriction**

(1) The Ministry may decide to ban or restrict gas imports from other countries to individuals or legal entities in the event that:

- a) persons or assets in the territory of the Czech Republic may be exposed to direct or indirect danger,
- b) the rights and obligations of gas suppliers and eligible customers in the country from where gas is imported are not comparable with the rights and obligations of gas suppliers and eligible customers in the Czech Republic.

(2) Gas may only be imported to the Czech Republic if the transmission of the gas is provided along the transmission system and if can be so transported to all parts of the territory of the Czech Republic.

Part 3

Heat

Section 76

Heat Energy Generation and Distribution

(1) The heat energy generation or distribution licence holder shall provide heat energy supply, as far as technically possible, to any customer that:

- a) applies therefore, the heat energy supply being in compliance with the zoning energy management conception,¹¹⁾
- b) has heat energy distribution equipment, a heat energy service connection and heat energy consumption facility, complying with technical and safety regulations,
- c) meets the conditions relating to the place, method and date of connection, as required by the licence holder.

(2) Heat energy may only be supplied to another individual or another legal entity upon the basis of a heat energy supply contract or as supply provided under another contract.

(3) The licence holder shall conclude a heat energy contract with any individual or any legal entity that applies therefor and that satisfies the heat energy generation or distribution conditions according to Subsection 1 above and Section 77 Subsection 1, or Section 80. The heat energy contract shall be made in writing and shall contain the following information for each heat energy supply point:

- a) the capacity, quantity and time schedule of heat consumption and the heat delivery/supply point,
- b) key parameters of the heat transfer medium supplied and returned, such as temperature, pressure, pressure drop and the flow rate in weight and volume terms,
- c) site and method of measurement and the substitute method of measurement to assess heat energy supply if any defect occurs in the metering device, and the arrangement on access to the metering and controlling facilities,
- d) price determined at the metering site, or the pricing method, and the terms of payment for the heat energy consumed, including any prepayments,
- e) in the case of joint metering of the quantity of the heat energy intake to prepare warm service water for more than one supply point: the method of allocation of the costs of heat energy supply to the individual supply points, including the collection and checking of the input data for such cost allocation. The rules of cost allocation to the individual supply points shall be set forth by the implementing legal regulation.

(4) The supplier may, to the extent necessary and for the absolutely necessary period of time, restrict or suspend heat energy supply in the following cases:

- a) in cases of direct danger to the life, health or property of persons and removal of such dangers,
- b) in the emergency state or in activities directly preventing the rise of the emergency state,
- c) when performing the planned refurbishment, repairs, maintenance and inspection work, if such work is announced at least 15 days in advance,
- d) when performing the necessary operating interventions: supply may be interrupted for a period of 4 hours at the maximum,

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- e) in accidents involving an interruption or restriction of the necessary operating supplies of the heat transfer medium or fuels and energies provided by other suppliers,
 - f) if the buyer fails to discharge its obligations as referred to Section 77 Subsection 4,
 - g) in the case of occurrence and removal of accidents and defects in the heat energy generating and distribution facilities - for the absolutely necessary period of time,
 - h) in cases of use, by the buyer, of facilities dangerous to the life, health or property of persons or affecting the quality of the supplies to the detriment of other buyers,
 - i) in cases of unauthorised intake.

(5) The heat energy distribution licence holder shall be entitled to:

- a) within the scope of the conditions laid down in the zoning decision and planning permission⁷⁾, set up and operate distribution line facilities on other owners' property, build support points, and cross such property with pipelines,
- b) enter other owners' property for purposes related to the setting up and operation of the distribution facilities,
- c) remove growths endangering the operation of the distribution systems if this has not been done by the owner or user after having been asked to do so,
- d) enter with personnel and vehicles, in accordance with special regulations, in the closed areas and facilities used for the activities and services of the Ministry of Defence, Ministry of Interior, Ministry of Justice, the Security Information Service and the operating property of the Railways, and may likewise enter the property where special telecommunication facilities are located, the extent and manner of such entries being as needed for the performance of the licensed activities,
- e) require the protection of heat energy distribution facilities where any work endangering such facilities' safe operation is performed; request compensation for any costs that might be incurred in immediate repair and resumption of operation, if any damage is suffered,
- f) be compensated for any damage suffered if the heat energy supply fails to maintain the key parameters specified in Subsection 3 Clause b) above.

(6) Any damage claimed on the basis of Subsection 5 Clause f) must be proved by adequate evidence. Title to compensation for damage may not be claimed in cases of interruption of heat energy generation or distribution enumerated herein, as referred to in Subsection 4 above.

(7) If it is impossible to establish a servitude on a contractual basis with the owner of the property because the owner is not known or identified, or is definitely inaccessible or inactive, or no contract could be negotiated with such an owner, then the appropriate Building Authority shall issue, upon the heat energy distribution facilities operator's proposal, a decision on the establishment of servitude, thus providing the possibility to use such property or any part thereof for the purposes referred to in Subsection 5 Clause a).

(8) While exercising its rights as referred to above, the heat energy distribution licence holder shall respect to the maximum extent possible the rights of the owners of the property concerned and shall notify them of its access to their property. Upon completion of the work the heat energy distribution licence holder shall bring the property concerned, or any affected part thereof, to its previous state, and if that is impossible because of the type of work performed there, the heat energy distribution licence holder shall bring the property concerned to a state adequate to its previous purpose or use.

(9) The heat energy generation licence holder and heat energy distribution licence holder shall:

- a) perform activities relating to the licence and requiring professional competence in accordance with special regulations, such activities only being done by such a licence holder's professionally qualified personnel,
- b) install, operate and maintain the facilities serving for heat energy supply so as to comply with the requirements for securing safe and reliable operation and protection,
- c) upon request, provide authorised officials of the Ministry, the Energy Regulatory Office and State Energy Inspection Board with true information as they may need to exercise their rights and obligations and give them access to the facilities serving for the performance of the licensed activity,
- d) maintain balances, in respect of each heat transfer medium, of heat energy generation performance, costs, losses, own consumption and supplies, such balances being maintained separately for heat energy generation and heat energy distribution, and submit such data as may be needed for the purposes of regulation in accordance herewith and for statistical purposes,
- e) lay down the conditions of connection to the heat energy distribution facilities or a heat energy source,
- f) in cases referred to in Subsection 4 above, resume the heat energy supply as soon as the causes of the restriction or suspension thereof are removed,
- g) prepare an emergency plan to prevent and address states of emergency within 6 months of being granted the licence; this requirement shall not apply to heat energy supply systems up to 10 MW.

(10) If, exercising its rights, the supplier causes damage to the property held by a freeholder or leaseholder or the supplier limits such a freeholder or leaseholder in respect of the normal use of the property, then such a holder shall be entitled to a single compensation⁵⁾. The claim for such a compensation shall be filed with the supplier which caused the damage to the property within six months of the date on which such a freeholder or leaseholder first learned of such a damage or limitation.

(11) If there is no danger to the reliability or safety of operation and no danger to the life, health and property of persons, the heat distribution facilities or any part thereof may cross any roads, railways, water courses, telecommunication lines, any piping systems and any other equipment, or may run parallel with the roads, railways, water courses, telecommunication lines, piping systems and other equipment. Any such crossing or parallel run shall be adequate in respect of environmental protection and shall prevent any greater adverse effect on the interest of the owners concerned. parallel run shall mean a situation where the protected range of certain equipment overlaps with the protected range, or safety zone, of other equipment. During repairs of defects and during structural adaptations of the equipment, the heat energy distribution facility operator shall respect the statements of other users of the same route, especially the prescribed technological procedure of earthwork so as to minimise any effect on the interests of the owners concerned.

(2) In the event of any repair or structural adaptations of the equipment, the operator of the equipment shall fully respect the views expressed by all the other users of the route, especially the prescribed technological process of the earthwork, to avoid any greater adverse effect on the interests of the owners of the equipment and property concerned.

Section 77

Heat Energy Buyer

(1) The heat energy buyer shall be entitled to be connected to a heat source or heat distribution facilities provided that:

- a) it is located where the licensed activities are pursued,
- b) a heat service connection and heat consumption facilities are in place and comply with the technical regulations,
- c) it satisfies the conditions concerning the heat output demand, location and mode of connection, the basic parameters of the heat transfer medium and connection date, as specified by the supplier,
- d) the heat energy supply complies with the approved zoning energy conception¹¹⁾.

(2) The buyer shall contribute to the costs relating to connection and to the provision of heat energy supply. Details shall be laid down in the implementing legal regulation.

(3) The buyer is entitled to be compensated for any damage suffered if the heat energy supplied to the buyer fails to have the key parameters as specified in Section 76 Subsection 3, Clause b). Such damage shall be duly evidenced. Title to compensation for damage and lost profit may not be claimed in cases of limitation or suspension of heat energy generation or distribution specified in Section 76 Subsection 4.

(4) If the heat transfer medium hitherto used is replaced by another heat transfer medium in accordance with the zoning energy conception¹¹⁾ or for purposes of technical development, the buyer shall at its expense modify its heat energy consumption facilities to match the changes, or shall terminate the heat energy supply contract in time. Other modifications of the heat consumption facilities shall be provided by the owner thereof at the expenses of the individual or legal entity responsible for the rise of the need for such modifications upon prior discussion with the licence holder. Any change in the parameters requiring an adaptation of the heat consumption facilities shall be notified in writing by the by the licence holder at least 12 months in advance.

(5) The buyer may operate its own standby or other heat energy source which may be interconnected with the distribution facilities, as well as supply heat energy to such facilities, but may only do so upon agreement with the licence holder.

(6) Any change in the delivery or change in the heating method may only be effected on the basis of a regular building permit procedure with the consent of the environmental protection authorities concerned and in compliance with the zoning energy conception. Any and all costs thus incurred, as well as any costs relating to disconnection from the heat energy distribution facility shall be paid by the individual or legal entity requiring such a modification or disconnection.

(7) Owners of the property where a heat distribution facility is located, or any part thereof, as may be needed for supply to third parties, shall continue allowing such supplies to be effected.

(8) In any heat energy supply facility through which non-metered heat energy passes, no interventions may be made without prior consent of the heat energy generation or distribution licence holder.

Section 78 Metering

(1) The heat energy generation licence holder and the heat energy distribution licence holder shall provide measurement, interpret the readings, and charge the customers in accordance with the actual parameters of the heat transfer medium and the readings obtained from its own metering devices which such a licence holder shall install, connect and maintain at its own cost, including also regular checking of the readings, in compliance with a special legal regulation¹². The buyer shall be entitled to check the correctness of the meter readings.

(2) If the buyer has any doubt as to the correctness of the readings or finds a defect on the metering device, then the buyer shall be entitled to have the device tested. Upon a written request received from the buyer, the licence holder shall check the metering device within 30 days and replace it if there is a defect. If a defect is found on the metering device the costs of the testing and replacement of the device shall be borne by the licence holder. In the absence of any defect, such costs shall be borne by the buyer.

(3) Any handling of the metering device without the consent of its owner shall be prohibited.

(4) The licence holder shall be entitled to install the metering device and secure it against tampering and the buyer shall allow the licence holder to do so. If the buyer finds any defect on the metering device or on its protection elements, buyer shall immediately notify that to the supplier.

(5) The meter readings determined by the supplier, together with the prices at the site of metering, shall constitute the heat energy costs which shall be allocated among the end users, i.e. the users of residential and non-residential premises. The cost allocation rules in respect of the services, heating, and warm water supply provision shall be laid down in the implementing legal regulation.

Section 79 Heat Service Connection Line

(1) The heat service connection line is a facility conducting the heat transfer medium from the heat energy distribution facility to the heat consumption facility for a single buyer.

(2) The heat service connection line starts at the heat energy source or at the branching from the distribution facilities and ends where it enters in the heat energy consumption facilities.

¹²Act No. 505/1990 Coll., on Metrology, as amended in Act No. 119/2000 Coll.

(3) The repairs and maintenance of the heat service connection line shall be provided by the owner thereof.

(4) The supplier shall operate, maintain and repair the heat service connection line for a consideration provided that the supplier is so requested by the owner thereof.

(5) The costs of installation of the heat service connection line shall be paid by the individual or legal entity to the benefit of whom the heat service connection line was set up, unless otherwise agreed between such an individual or legal entity and the supplier.

Section 80 Heat Energy Purchase

(1) The heat energy distribution licence holder having suitable technical facilities to do so shall purchase:

- a) heat energy
 - 1. recovered from renewable sources as per Section 31 Subsection 1 and from heat pumps,
 - 2. occurring as a by-product of technological processes,
 - 3. recovered from environmentally friendly incineration of wastes.
- b) heat energy generated from combined production of electricity and heat - only in heat energy networks with supplies from sources where only heat energy is generated.

(2) This obligation shall not arise:

- a) if the need for heat energy is satisfied as referred to in Subsection 1 Clause a) above,
- b) if this would be conducive to an increase in the total costs of heat energy purchase to be paid by the current customers,
- c) if the heat transfer medium's parameters do not correspond to the parameters in the heat energy distribution facilities at the point of connection.

(3) The costs reasonably incurred in the heat energy source connection as per Subsection 1 shall be paid by the owner of such a source.

Section 81 Construction of Heat Energy Sources

(1) New heat energy sources to supply heat to the heat energy distribution facilities at a total installed capacity of 30 MW_t or more may only be built on the basis of government authorisation ("authorisation").

(2) For the purposes hereof, new heat energy sources shall mean:

- a) construction of an entirely new generation unit, or
- b) reconstruction of the technological part of the already existing source bringing about a change in the fuel of the basic technical parameters, the installed capacity or type of output heat transfer medium.

(3) No authorisation is granted for the construction of heat energy sources for individual heating and warm service water preparation in apartments or family houses.

(4) The granting of authorisation shall not be subject to any automatic legal title.

Section 82

Authorisation to Build Heat Energy Sources

(1) The decision on the granting of the authorisation shall be made against a written application by the Ministry in accordance with Section 81.

(2) Authorisation to build a heat energy source shall be granted upon the basis of assessment of:

- a) compliance with the zoning energy conception¹¹⁾,
- b) impact of the heat source on the environment,
- c) utilisation of domestic and local fuels and other energy sources,
- d) energy efficiency,
- e) availability of sufficient funds needed for construction,
- f) effectiveness and efficiency of the available energy sources,¹¹⁾

(3) Authorisation shall be granted for a period of 5 years at the maximum but its duration may be extended upon the authorisation holder's request. The extension of the duration of the authorisation to build a heat energy source shall be applied for at least 6 months prior to the expiration thereof, including the statement of reasons for such an application.

(4) The Ministry shall be party to the planning proceedings and shall also be the state body involved in the building permission proceedings in accordance with a special legal regulation.⁷⁾

(5) The authorisation for the construction of a heat energy source shall not be transferable to any other individual or legal entity.

(6) In the event that no authorisation for the construction of a new heat energy source is not granted, the applicant must be informed about the reasons therefor and must be advised on appeal.

Section 83

Application for Authorisation

(1) The written application for authorisation shall contain:

- a) the trade name of the individual or the legal entity, permanent place of residence or registered office, the Identification Number (IÈ); if the applicant is an individual, the application shall also contain the first name, surname, and birth certificate code number, if any, otherwise the date of birth; if the applicant is a legal entity the application shall also contain such data on its statutory body,
- b) basic technical data on the source, including the technical conception, installed capacity, energy efficiency and the projected heat energy consumption,
- c) planned location of the heat energy source,

⁷⁾ Act No. 50/1976 Coll. on Town Planning and the Building Code

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- d) required duration of the authorisation, the date of commencement and end of construction and the planned date of commissioning,
 - e) assessment of environmental effects⁸⁾ and compliance with the zoning energy conception¹¹⁾,
 - f) approval of the clean air authority⁹⁾
 - g) information on fuels or other resources,
 - h) assessment of the use of local and domestic fuels and other energy sources, particularly the renewable sources,
 - i) evidence of availability of sufficient funds for the construction of the heat energy source.

(2) Appended to the application shall be the statement of the administration authority exercising public administration power in the area where the new structure is to be located and responsible for the zoning energy conception¹¹⁾ for the region.

(3) Availability of sufficient funds shall mean the ability of the individual or legal entity applying for the granting of authorisation to ensure that the construction of the heat energy source is started and completed as planned, and the ability to ensure that the commitments resulting therefrom are carried out. Availability of sufficient funds shall be proved by evidence of business assets and the volume of available finance, the financial statements verified by an auditor, including long-form footnotes thereto, provided that the individual or the legal entity performed business activities in the previous year.

(4) The contents of the application for authorisation, including the master format of the application and the details of the process of assessment of such applications shall be specified in the implementing legal regulation.

Section 84

Decision to Grant the Authorisation

(1) The decision to grant the authorisation for the construction of a heat energy source shall contain, in particular:

- a) the trade name of the individual or the legal entity, permanent place of residence or registered office, the Identification Number (IÈ); if the applicant is an individual, the application shall also contain the first name, surname, and birth certificate code number, if any, otherwise the date of birth;
- b) basic technical data on the source, including the technical conception, installed capacity, energy efficiency and the projected heat energy consumption,
- c) location of the source,
- d) required duration of the authorisation, the date of commencement and end of construction and the planned date of commissioning,
- e) environmental protection conditions,
- f) conditions for the use of local and domestic fuels and other energy sources, particularly the renewable sources.

(2) The holder of authorisation for the construction of a heat energy source shall immediately notify the Ministry of any change in the information indicated in the application for authorisation as well as any other important information which may have an impact on the authorisation granted.

(3) The Ministry and the administration authority responsible for public administration in the given region shall maintain records of the heat energy source construction authorisations granted.

Section 85 Expiration of Authorisation

Authorisation for the construction of a source plant shall lapse:

- a) with the expiration of the time for which it was granted,
- b) if an individual: if such an individual dies or is declared dead,
- c) if a legal entity: upon declaration of bankruptcy of the authorisation holder, or rejection of its bankruptcy petition for lack of assets,
- d) if a legal entity: with the dissolution of the legal entity which is an authorisation holder,
- e) on the basis of the authorisation holder's application for cancellation of the authorisation granted,
- f) by the decision of the issuer of the authorisation to revoke the energy source construction authorisation on the grounds of gross violation of the conditions under which the authorisation was granted,
- g) with the authorisation holder's entry in liquidation.

Section 86 Relocation of the Heat Energy Distribution Facilities

(1) Relocation of a heat energy distribution facility shall mean a partial diversion of the line run or the moving of any unit or element of that equipment.

(2) Relocation of the heat energy distribution facility shall be effected by the owner thereof at the cost of the individual or legal entity responsible for the rise of the need for such relocation.

(3) Ownership of the distribution facility shall not change upon relocation.

Section 87 Protective bands

(1) The protected range shall mean a compact space in immediate vicinity of the heat energy generation or distribution facilities. The protected range is designed to secure reliable operation of the facilities concerned, to protect the life, health and property of persons.

(2) The width of the protective bands is delineated by vertical planes along both sides of the heat energy generation or distribution facility at a horizontal distance of 2.5 m measured perpendicularly to the facility concerned.

(3) In exchanger plants designed to change the parameters of the heat transfer medium which are located in separate buildings, the protected range shall be delineated by vertical planes running at a horizontal distance of 2.5 m perpendicularly to the ground plan of such plants.

(4) In the protected range of the facilities serving for heat energy generation or distribution, as well as outside such a zone, it is not allowed to perform activities which might eventually lead to a threat to such facilities, to their reliability and the safety of their operation. Construction activities, location of structures, earthworks, storage of material, establishment of waste dumps and planting of permanent crop stands in the protective bands are only allowed with prior written consent of, and under conditions specified by, the licence holder operating the facilities concerned. Such consent shall not be considered to be part of the zoning and planning procedure.

(5) If the heat energy distribution facility passes through buildings, no protected range is set up. When construction work is done at such sites the owner of the structure shall see to it that the safety of the facility is secured.

(6) Owners of the buildings shall provide access for the licence holder to perform regular inspection and the necessary work on the heat energy distribution facilities located on their property. Before any such work is commenced, if the technical and safety conditions allow for that and if no danger to the life, health and property of persons is involved, the licence holder shall notify the owner or manager of the property about the extent and duration of the work and shall bring the property to its previous state upon completion of the work, and if that is impossible because of the type of work performed there, the heat energy distribution licence holder shall bring the property concerned to a state adequate to its previous purpose or use.

Section 88 **Emergency state**

(1) Emergency state shall mean limitation or suspension of heat energy supply all over the country or any part thereof as a result of:

- a) natural disaster,
- b) measures adopted by public authorities during national emergency or state of war,¹⁰⁾
- c) breakdown of generation or distribution facilities,
- d) long-term shortage of primary resources, including fuels, electricity and water,
- e) smog situations according to special regulations,
- f) terrorist attack.

(2) In states of emergency, all heat energy generation licence holders and heat energy distribution licence holders as well as the buyers shall conform to the restriction of consumption. The licence holders may, to the necessary extent, use the buyers' equipment.

(3) The commencement of the emergency state and the end thereof shall be declared for the whole territory of the Czech Republic by the Ministry and for any part thereof by the administration authority responsible for public administration in the region affected, and shall be so declared through the media or in any other effective manner.

(4) The procedure to be pursued when an emergency state occurs and when the consequences thereof are removed shall be set out in the implementing legal regulation.

Section 89
Unauthorised Heat Intake

(1) Unauthorised heat consumption shall mean:

- a) consumption without the supplier's consent or in violation of the signed contract,
- b) consumption in a situation where the buyer repeatedly failed to comply with the agreed terms of payment, including prepayments,
- c) consumption without metering device or consumption through a metering device which fails to record the consumption or records a less heat than actually consumed owing to tampering by the buyer,
- d) consumption through a metering device relocated without the supplier's consent,
- e) consumption through a metering device whose protection against tampering was corrupted and where the obligation as per Section 78 Subsection 5 was not met.

(2) The method of calculation of any damage suffered to the licence holder as a result of unauthorised consumption shall be laid down in the implementing regulation.

Chapter III

Penalties

Section 90

(1) A fine of up to CZK 50,000,000 may be imposed

- a) on licence holders for breach of obligations set out in Section 9 Subsection 1, Section 10 Subsection 4, Section 11 Subsection 1, Section 12 Subsection 2 and 5, Section 14 Subsection 2 and 9, Section 20, Section 50, Section 64 Subsection 2, Section 72 and Section 76 Subsection 3,
- b) on electricity and gas production licence holders for breach of obligations set out in Section 23 Subsection 2, Section 49 Subsection 4, Section 52 Subsection 1, Section 54 Subsection 4, Section 57 Subsection 2, 3 and 5, Section 64 Subsection 2, Section 71 Subsection 5,
- c) on transmission or transport system operation licence holders for breach of obligations or overstepping of their powers as set out in Section 24 Subsection 3, 5, 6 and 10, Section 26 Subsection 2 Clause a), Section 52 Subsection 1, Section 54 Subsection 4, Section 58 Subsection 1 and 8, Section 64 Subsection 2, Section 71 Subsection 7, 8 and 10 and Section 73 Subsection 4,
- d) on underground gas storage licence holders for breach of obligations or overstepping of their powers as set out in Section 60 Subsection 1, 5, 6 and 8, Section 64 Subsection 2 and Section 73 Subsection 4,
- e) on distribution system licence holders and heat energy distribution facilities licence holders for breach of obligations or overstepping of their powers as set out in Section 25 Subsection 4, 6, 7 and 11, Section 45 Subsection 5, Section 52 Subsection 1, Section 54 Subsection 4, Section 59 Subsection 1, 5, 6 and 8, Section 64 Subsection 2, Section 66 Subsection 4, Section 71 Subsection 7, 8 and 10, Section 73 Subsection 4, Section 76 Subsection 1, 4, 5 and 8, Section 78 Subsection 1 and 2, Section 79 Subsection 4, Section 80 Subsection 1 and Section 88 Subsection 2,

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- f) on heat energy generation licence holders for breach of obligations or overstepping of their powers as set out in Section 76 Subsection 1,4 and 8, Section 78 Subsection 1 and 2 and Section 88 Subsection 2,
 - g) on the market operator for failure to perform its obligations as set out in Section 27 Subsection 4 and 5,
 - h) on the main Gas Dispatching Centre for failure to perform its obligations as set out in Section 64 Subsection 5.

(2) A fine of only up to CZK 1,000,000 may be imposed for breach of obligations as set out in Subsection 1 Clauses a) to f) above on generators, distribution systems operators and heat energy distribution facilities operators at capacities of up to 2 MW.

(2) A fine of up to CZK 10,000,000 may be imposed for breach of obligations as set out in Section 30 Subsection 2 and Section 61 Subsection 2 on electricity trading licence holders and gas trading licence holders.

Section 91

(1) A fine of up to CZK 50,000,000 may be imposed on individuals and legal entities for breach of obligations, bans and restrictions as set out in Section 3 Subsection 3, Section 10 Subsection 7 and 9, Section 28 Subsection 3, Section 29 Subsection 5, Section 46 Subsection 8 to 10, Section 49 Subsection 4, Section 51, Section 53, Section 68 Subsection 5 to 7, Section 69 Subsection 3, Section 71 Subsection 4 and 12, Section 74 Subsection 1, Section 75 Subsection 2, Section 77 Subsection 8, Section 78 Subsection 3, Section 79 Subsection 3, Section 87 Subsection 4 and Section 89 Subsection 1.

(2) A fine of up to CZK 10,000,000 may be imposed on eligible customers for breach of obligations set out in Section 28 Subsection 2, 3, and 4, Section 45 Subsection 4, Section 49 Subsection 4, Section 54 Subsection 4, Section 62 Subsection 2, Section 66 Subsection 3, Section 71 Subsection 6 and Section 73 Subsection 4.

(3) A fine of up to CZK 5,000,000 may be imposed

- a) on protected customers and heat energy buyers for breach of obligations or overstepping the powers as set out in Section 29 Subsection 2, 5 and 6, Section 45 Subsection 4, Section 49 Subsection 4, Section 54 Subsection 4, Section 63 Subsection 2, Section 66 Subsection 3, Section 71 Subsection 6, Section 73 Subsection 4, Section 77 Subsection 5, Section 78 Subsection 4 and Section 88 Subsection 2,
- b) on electricity generating plant construction licence holders or heat generating facilities construction licence holders for breach of obligations set out in Section 36 Subsection 2 and Section 84 Subsection 2,
- c) on authorisation holders for breach of obligations set out in Section 41 Subsection 2 and Section 67 Subsection 9,
- d) on the direct electricity line owner for breach of obligations set out in Section 43 Subsection 1,
- e) on the direct gas line operator for breach of obligations set out in Section 65 Subsection 3,

(4) A fine of up to CZK 1,000,000 may be imposed for breach of obligations as set out in Section 29 Subsection 3, Section 63 Subsection 3, Section 77 Subsection 7 and Section 87 Subsection 5 and 6 on the owners of the property to which energy is supplied to protected

customers or on which a heat distribution facility, or any part thereof needed for heat supply to third parties, is located.

(5) A fee of only up to CZK 100,000 may be imposed according to Sections 1, 2 and 3 above on natural persons who are buyers outside their business activities.

Chapter IV

State Energy Inspection Board

Section 92

(1) The State Energy Inspection Board is an administrative office subordinated to the Ministry. It is split into the Central Inspectorate and Regional Inspectorates. The seats and regional authority of the Regional Inspectorates shall be defined by the State Energy Inspection Board Director.

(2) The Central Inspectorate is headed by a managing director, appointed and recalled in conformity with the Civil Servants Act^{12a)}. The Regional Inspectorate is headed by a director, appointed, supervised and recalled by the managing director.

(3) The State Energy Inspection Board shall be a state body with its seat in Prague.

Range of Authority

Section 93

(1) The State Energy Inspection Board shall oversee compliance with:

- a) this Act,
- b) the Energies Management Act¹¹⁾
- c) the Act on Prices⁴⁾ within the range as defined in the Act on the Authority of the bodies of the Czech Republic in the Pricing Area.¹³

(2) For breach of the laws referred to in the previous Subsection graph, fines shall be imposed by the State Energy Inspection Board upon proposal submitted by the Ministry and the Energy Regulatory Office or on the basis of the State Energy Inspection Board's own findings.

(3) In carrying out its inspection tasks, the State Energy Inspection Board shall be follow the provisions of a special legal regulation.¹⁴⁾

Section 94

(1) The State Energy Inspection Board shall be entitled to:

- a) request written proposals in respect of the actions and dates to remove the identified faults,

¹³ Act No. 265/1991 Coll., on the Authority of the Bodies of the Czech Republic in the Pricing Area, as later amended.

¹⁴⁾ Act No. 511/1991 Coll. on State Inspection, as later amended.

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- b) decide on the obligation to take measures as proposed by energy audit, and on the dates thereof,
 - c) inspect whether subsidy recipients under the National Programme of Efficient Energy Utilisation, including renewable and secondary energy sources, enter true information in their applications and assessments.

(2) The State Energy Inspection Board shall be party to the planning proceedings and shall also be the public administration body involved in the protection of interests protected on the basis of special legal regulations.¹⁵⁾

(3) The State Energy Inspection Board shall initiate inspection proceedings upon proposal submitted by the Energy Regulatory Office.

(4) The State Energy Inspection shall submit the results of its inspection activities to the Energy Regulatory Office.

Section 95 Imposition of Fines

(1) When the amount of a fine is determined, the seriousness of the breach of obligations shall be taken into account including, but not limited to, the manner of the breach and the consequences thereof, and the circumstances in which the breach occurred.

(2) The Rules of Administrative Procedure shall apply to the proceedings relating to the imposition of fees. Appeals against a fee imposed by a Regional Inspectorate shall be resolved by the Central Inspectorate.

(3) The proceedings relating to the imposition of fees may be initiated within one year of the date on which the Regional Inspectorate first learned of the breach but not later than within two years of the date on which the breach occurred. No fine may be imposed if three years have elapsed from the breach.

(4) Fines shall represent a National Revenue income and shall be managed by the State Energy Inspection Board on the basis of special legal regulations.¹⁶⁾

¹⁵⁾ Section 126 Subsection 1 of Act No. 50/1976 Coll. on Town Planning and the Building Code (the Building Act), Section 13 of Act/2000 Coll. on Energy Management

¹⁶⁾ Act No. 337/1992 Coll. on Taxes and Fees Management, as later amended

Chapter V

Joint, Transitory and Closing Provisions

Section 96

(1) In proceedings to which this Act applies, the provisions of the Rules of Administrative Procedure shall be followed, unless otherwise set out herein.

(2) Appeal against decisions issued by the Energy Regulatory Office shall be resolved by the Chairperson of the Energy Regulatory Office. No appeal may be filed against the decision of the Chairperson of the Energy Regulatory Office.

(3) The period within which the appeal to the Energy Regulatory Office shall be filed in the event of denial to connect an electricity facility to the transmission system or distribution system or in the event of denial to transport electricity shall be 15 days of the date of delivery of such a denial by the transmission system operator or the respective distribution system operator.

Section 97

Abrogated by Act No. 151/2002 Coll.

Section 98

Transitory Provisions

(1) Individuals or legal entities doing business in the energy sectors according to the current legal regulations shall apply for award of licence within the effective date hereof, otherwise their authorisation shall lapse.

(2) The protective bands defined in the electricity and heat sectors on the basis of the current legal regulations shall remain unchanged upon the effective date hereof. Exceptions to the provisions on the protective bands, granted in accordance with the current legal regulations, shall remain in effect after the effective date hereof.

(3) The protective bands of gas industry facilities defined according to the current legal regulations, as well as the previous approvals of the setting up of structures at such places, shall remain in effect after the effective date hereof.

(4) Authorisations relating to other owners' property as well as any limitations on the use thereof which arose before the effective date hereof shall remain unaffected.

(5) The possibility to apply gas import restrictions according to Section 75 Subsection 2 in relation to gas suppliers having their registered office in any state of the European Union may only be used until the signature of the treaty on the accession of the Czech Republic to the European Union.

(6) If the individuals or legal entities performing, the purchase, sale and storage of hydrocarbon gases in pressure vessels, including the transport thereof, fail to apply for issue of a business authorisation for such activities within one year of the effective date hereof, their authorisation for such trading shall lapse.

(7) The Ministry shall issue a Decree to implement Section 23 Subsection 1, Clause a) and Subsection 2 Clause d), Section 24 Subsection 10 Clause e), Section 25 Subsection 11 Clause f) and Subsection 12, Section 27 Subsection 7, Section 35 Subsection 4, Section 40 Subsection 4, Section 54 Subsection 8, Section 55 Subsection 3, Section 57 Subsection 1 Clause a), Section 57 Subsection 5 Clause j), Section 64 Subsection 7, Section 67 Subsection 13, Section 73 Subsection 8, Section 76 Subsection 3 Clause e), Section 77 Subsection 2, Section 83 Subsection 4, Section 88 Subsection 4 and Section 89 Subsection 2.

(8) The Energy Regulatory Office shall issue a Decree to implement Section 5 Subsection 9, Section 7 Subsection 5, Section 13 Subsection 2, Section 14 Subsection 11, Section 17 Subsection 7, and Section 19.

(9) The Ministry of Regional Development shall issue a Decree to implement Section 78 Subsection 5.

(10) In cases of any change in electricity voltage, any change in the pressure or type of gas or change in the heat transfer medium or the parameters thereof, which change was initiated before the effective date hereof, the procedure shall be as specified in the currently existing legal regulations.

(11) Authorisation for construction shall be applied for by any individual or any legal entity who or which applies for issuance of a zoning and planning permission for new construction upon the effective date hereof.

(12) The performance of inspection

- a) based on Section 93 in the premises and facilities of the Ministry of Interior, Ministry of Justice and the Security Information Service, shall be effected by the State Energy Inspection Board in a manner agreed by the Ministry with the respective Ministries and in compliance with special legal regulations,¹⁸⁾
- b) based on Section 93 Subsection 1 Clause a), with a bearing on the provisions of Sections 46, 68, 69 and 87 and Section 93 Subsection 1 Clause b), in military premises, military units, military facilities, military rescue units and the legal entities set up or established by the Ministry of Defence, shall be effected by the Energy Inspection Board of the Ministry of Defence in a manner agreed with the Ministry, and by the Ministry of Defence in compliance with special legal regulations.¹⁸⁾

(13) Inspection based on Act No. 222/1994 Coll. on the Conditions of Business and Performance of State Administration in the Energy Services and on the State Energy Inspection, as amended in Act No. 83/1998 Coll., shall be the State Energy Inspection Board in accordance herewith.

(14) The proceedings relating to the imposition of a fine which were initiated before the effective date hereof shall be finished in accordance with the current legal regulations.

Section 99 Closing Provision

This is to revoke:

(1) Act No. 222/1994 Coll, on the Business Conditions, on Public Administration in the Energy Sectors and on the State Energy Inspection Board, as amended in Act No. 83/1998 Coll.

¹⁸⁾ Act No. 222/1999 Coll. on Securing the Defence of the Czech Republic

PART TWO

AMENDMENT TO THE ACT ON ESTABLISHMENT OF MINISTRIES AND OTHER CENTRAL BODIES OF PUBLIC ADMINISTRATION IN THE CZECH REPUBLIC

Section 100

In Section 2 Subsection 1 of Act No. 2/1969 Coll. on Establishment of Ministries and Other Central State Administration Bodies of the Czech Republic, as amended in Act No. 34/1970 Coll., Czech National Council Act No. 147/1970 Coll., Act No. 125/1973 Coll., No 25/1976 Coll., Act No. 118/1983 Coll., Act No. 60/1988 Coll., Act No. 173/1989 Coll., Czech National Council Presidium Regulation No. 9/1990 Coll., Act No. 93/1990 Coll., Act No. 126/1990 Coll., 203/1990 Coll., Act No. 288/1990 Coll., Czech National Council Presidium Regulation No. 305/1990 Coll., Act No. 575/1990 Coll., Act No. 173/1991 Coll., Act No. 283/1991 Coll., Act No. 19/1992 Coll., Act No.23/1992 Coll., Act No. 103/1992 Coll., Act No. 167/1992 Coll., Act No. 239/1992 Coll., Czech National Council Presidium Regulation No. 350/1992 Coll., Act No. 358/1992 Coll., Act No. 359/1992 Coll., Act No. 474/1992 Coll., Act No. 548/1992 Coll., Act No. 21/1993 Coll., Act No. 166/1993 Coll., Act No. 285/1993 Coll., Act No. 47/1994 Coll., Act No. 89/1995 Coll., Act No. 289/1995 Coll., Act No. 135/1996 Coll., Act No. 272/1996 Coll., Act No. 152/1997, Act No.15/1998 Coll., Act No. 148/2000 Coll., Act No. 63/2000 Coll., Act No. 130/2000 Coll., Act No. 154/2000 Coll., Act No. 204/2000 Coll., Act No. 239/2000 Coll., Act No. 257/2000 Coll. and Act No. 258/2000 Coll., the full stop is being replaced by a comma and a new Point 11 is being added, reading as follows:

"11. Energy Regulatory Office."

PART THREE

AMENDMENT TO ACT ON THE AUTHORITY OF THE BODIES OF THE CZECH REPUBLIC IN THE PRICING AREA

Section 101

Act No. 265/1991 on the Authority of the Bodies of the Czech Republic in the Pricing Area, as amended in Act No. 135/1994 Coll. and Act No. 151/1997 Coll., shall be amended as follows:

1. In Section 1, the words "other administrative offices" are being added after the word "ministries".
2. A new Section 2c is being added after Section 2b. The new Section 2c shall read as follows:

"Section 2c

The Energy Regulatory Office shall

- a) exercise its authority in the application, regulation, negotiation and control of prices in the energy area,
- b) issue legal provisions for the regulation, negotiation and control of prices in the energy area,
- c) issue decisions on price regulation, including the rules to identify the costs, revenues and profit/loss in respect of regulated and non-regulated activities."

3. In Section 3, new Subsections 3 and 4 are being added which shall read:

"(3) The State Energy Inspection Board shall provide inspection of compliance with the pricing regulations in the energy area.

(4) The State Energy Inspection Board shall impose fines for breach of pricing regulations in the energy pricing area on the basis of a special legal regulation.²⁾".

PART FOUR

AMENDMENT TO THE BUSINESSES ACT

Section 102

In Schedule No. 2 QUALIFIED BUSINESSES, Group 207: Chemical Production, to Act No. 455/1991 Coll., on Businesses (Businesses Act), as amended in Act No.231/1992 Coll., Act No. 591/1992 Coll., Act No. 273/1993 Coll., Act No. 303/1993 Coll., Act No. 38/1994 Coll., Act No. 42/1994 Coll., Act No. 136/1994 Coll., Act No. 200/1994 Coll., Act No. 237/1995 Coll., Act No. 286/1995 Coll., Act No. 94/1996 Coll., Act No. 95/1996 Coll., Act No. 147/1996 Coll., Act No. 19/1997 Coll., Act No. 49/1997 Coll., Act No. 61/1997 Coll., Act No. 79/1997 Coll., Act No. 217/1997 Coll., Act No. 280/1997 Coll., Act No. 15/1998 Coll., Act No. 83/1998 Coll., Act No. 167/1998 Coll., Act No. 167/1998, Act No. 159/1999 Coll., Act No. 356/1999 Coll., Act No. 358/1999 Coll., Act No. 360/1999, 363/1999 Coll., Act No. 27/2000 Coll., Act No. 28/2000 Coll., Act No. 121/2000 Coll., Act No. 122/2000 Coll., Act No. 123/2000 Coll., Act No. 124/2000 Coll., Act No. 149/2000 Coll., Act No. 151/2000 Coll., Act No. 158/2000 Coll., Act No. 247/2000 Coll., Act No. 249/2000 Coll. and Act No. 258/2000 Coll., the business areas are being extended:

the text in column 1 shall read:

"Purchase, sale and storage of liquefied hydrocarbon gases in pressure vessels, including transport thereof",

the text in column 2 shall read:

"complete secondary vocational education (G.C.E.) in a technical area plus 5 years' experience in the given area."

PART FIVE
AMENDMENT TO THE ACT ON CHEMICAL SUBSTANCES AND
CHEMICAL PREPARATIONS AND ON AMENDMENTS TO OTHER
LAWS

Section 103

Act No. 157/1998 Coll. on Chemical Substances and Chemical Preparations and on Amendments to Other Laws, as amended in Act No. 352/1999 Coll., Act 132/2000 Coll. and Act 258/2000 Coll., are being amended as follows:

1. In Section 1 Subsection 2, the text "to the supply of gas in public interest^{5a)}" shall be added after the words "minerals⁵⁾".

2. Footnote No. 5a shall read:

^{5a)} Act No. /2000 Coll. on Business Conditions, on Public Administration in the Energy Sectors and on Amendment to Other Laws (Energy Act)."

PART SIX
EFFECT

Section 4

This Act shall come into effect on 1 January 2001.

Protective bands of Gas Facilities

Facility	Size of the range
Underground storage	250 m
Liquefied gas pressure tanks	
with internal volume above 5 m ³ up to 20 m ³	20 m
above 20 m ³ up to 100 m ³	40 m
above 100 m ³ up to 250 m ³	60 m
above 250 m ³ up to 500 m ³	100 m
above 500 m ³ up to 1000 m ³	150 m
above 1000 m ³ up to 3000 m ³	200 m
above 3000 m ³	300 m
Gas holders up to 100 m ³	30 m
above 100 m ³	50 m
Gas filling plants (from technological equipment)	100 m
Pressure gas liquefying plants	100 m
Liquefied gas evaporation plants	100 m
Compressor plants (from technological equipment)	200 m
High-pressure regulation plant	10 m
Very high-pressure regulation plants	20 m
High-pressure gas lines	
up to DN 100	15 m
up to DN 250	20 m
above DN 250	40 m
Very high-pressure gas lines	
up to DN 300	100 m
up too DN 500	150 m
above DN 500	200 m