

Press Release

ERO: A slight decrease in regulated prices of electricity supply for next year

In 2015, the regulated components of electricity supply prices will slightly decrease again and households may pay units of per cent less than in 2014 on average. Mrs Alena Vitásková, Chairwoman of the Energy Regulatory Office (ERO), announced this today.

“I am glad that at the time when regulated prices in Europe tend to rise, we have managed to preserve the opposite trend and the regulated part of the electricity supply price is decreasing for the second year in a row. Together with the expected cut in the unregulated component of electricity supply, households can save hundreds of crown again in 2015,” said Mrs Alena Vitásková.

“The continuous decline in the prices of electrical energy has contributed to the price reduction. We have set the regulated charges within the regulatory framework for the third regulatory period, of which 2015 is the last year,” said Mr Jan Nehoda, ERO Vice-Chairman.

Under Act No 458/2000 on conditions of business and state administration in the energy industries and amending certain laws (the Energy Act), as amended, and under public notice no. 436/2013 on methods of price regulation and procedures for price controls in the electricity and heating industries and amending public notice no. 140/2009 on methods of price regulation in the energy sector and procedures for price control, as amended (‘public notice no. 436/2013’), the Energy Regulatory Office sets prices of regulated services related to electricity supply every year, and issues the relevant price decisions thereon.

The price decisions for 2015 have been issued in line with the methodology adopted for the third regulatory period and maintain the parameters of calculations laid down in the above legislation.

On the liberalised Czech market, the price of electricity supply for final customers is composed of:

- **regulated prices**, which are set by the Energy Regulatory Office (these include charges for electricity transmission and electricity distribution and for other related services),
and
- **the unregulated** price of electrical energy offered by the various suppliers (electricity traders and electricity producers), i.e. a price **over which the ERO has no control**.

KEY FACTORS INFLUENCING PRICES FOR 2015

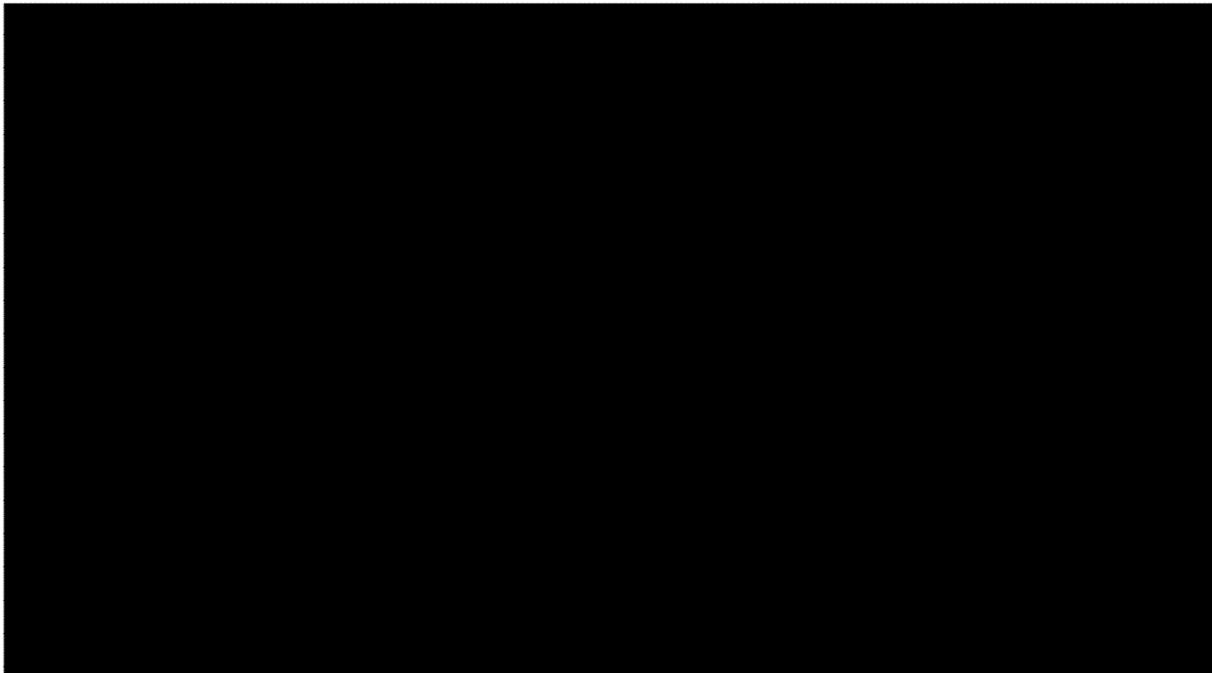
Extension of the regulatory period

When public notice no. 436/2013 came into effect, the third regulatory period was extended to six years, which has helped to maintain the key principles of regulation for 2015 as well. In addition, the methodology for calculating eligible costs and rates of return has been changed, which has significantly influenced the level of the overall economic parameters used as inputs for calculating the charges for electricity transmission and distribution.

Electricity prices in the wholesale market

Over the last period under review, the prices of the annual base load electricity products at European exchanges were declining; the resulting average decrease in electrical energy prices in euro on a year-on-year basis (between two periods under review) was approximately 13.9%. This was counteracted by the Czech crown/euro rate weakening by approximately five to six per cent, and so the price of electrical energy bought from abroad surged by approximately CZK 50/MWh. The following chart shows electricity prices at the Leipzig EEX exchange in the original currency (euro, the blue curve) and converted to Czech crowns (CZK, red curve), including the volume of trades (the RHS axis).

Price	Price	Volume
[CZK/MWh]	[€/MWh]	Reference period for 2015 prices
		Date of the trade



CHANGES IN PRICES IN THE ELECTRICITY INDUSTRY FOR 2015

The regulated part of the final electricity supply price will be slightly reduced in 2015 due to most of the items of regulated charges decreasing.

A drop in the market price of electrical energy, favourably influencing the pricing of losses in the transmission and distribution systems, has contributed to the reduction in the regulated charges for electricity transmission and distribution.

Another favourable aspect is the efficient purchase of ancillary services to balance the electricity grid and the influence of the correction factor from preceding years, which helps to reduce the charge for the system services provided by ČEPS, a.s. by 11.7%.

The charge for the market operator's activities in the electricity industry in 2015 is 8% lower year-on-year.

The charge for reimbursing the costs incurred in electricity generation support has been set at the maximum statutory rate of CZK 495/MWh (Act No 165/2012 on promoted energy sources and amending certain laws, as amended).

The implication of all of the above factors is that the overall regulated part of the final electricity supply price in 2015 will decline by 2.1% on average for customers connected to the extra high voltage EHV ([HV]) level, by 1.6% for those connected to the high voltage HV ([MV]) level and by 1.4% for the low voltage NN (LV) level.

The unregulated part of the electricity supply price (i.e. electrical energy itself) is stated in the various electricity suppliers' price lists. However, most electricity suppliers have not yet published their 2015 price lists. In this respect, the ERO estimates that the unregulated part of the electricity supply price will drop by approximately 5% at most, depending on the product range selected by the customer.

a) Households

On a comparable basis, i.e. the same nature and amount of load, the overall average year-on-year decrease in the cost of electricity distribution in the household segment is 0.6% (disregarding VAT and electricity tax) for 2015, with the regulated components of the price of electricity supply for households decreasing by 1.2% on average.

However, changes in prices for particular customers will differ depending on the region (Map 1) where the customer is connected to the electricity grid. The differences may be caused by the selected distribution tariff, the different nature of load, and the quantity of electricity taken. The selection of the electrical energy supplier, which has an impact on the unregulated component of the price, will also influence the final price.

Map 1 **Expected average changes in regulated charges in each of the distribution areas**

Průměr za ČR:

-0,6% distribuční služby
-1,2% regulované složky celkem

ČEZ Distribuce, a. s.:

0,5% distribuční služby
-0,4% regulované složky celkem



PŘEdistribuce, a. s.:

-2,1% distribuční služby
-2,1% regulované složky celkem

E.ON Distribuce, a. s.:

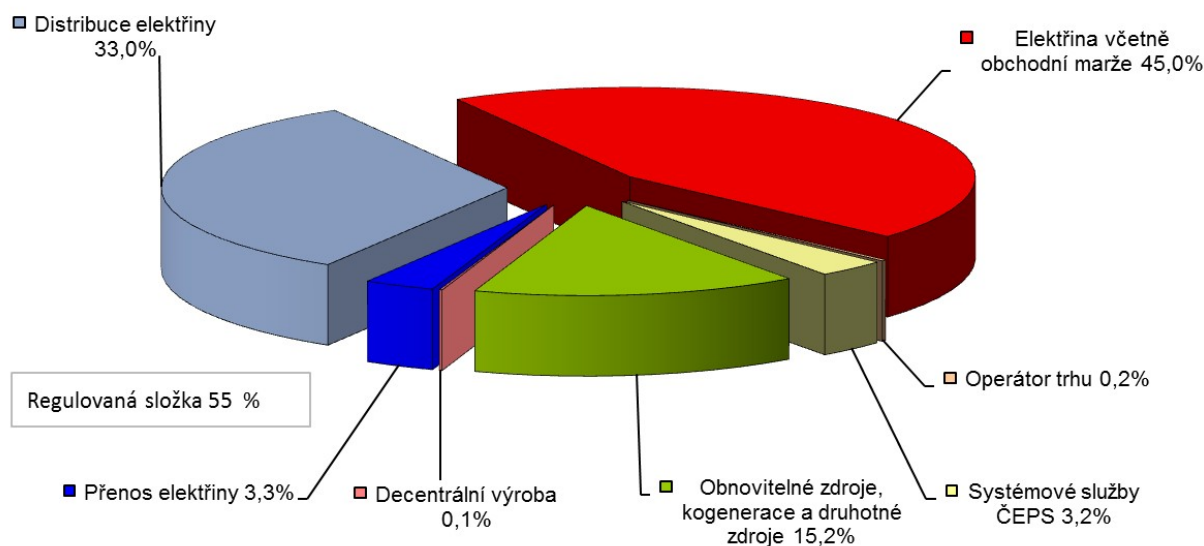
-2,7% distribuční služby
-2,6% regulované složky celkem

<p>Average for the Czech Republic -0.6%, distribution services -1.2%, total regulated items</p>	<p>0.5%, distribution services -0.4%, total regulated items</p>
<p>-2.1%, distribution services -2.1%, total regulated items</p>	<p>-2.7%, distribution services -2.6%, total regulated items</p>

Chart 1 shows the percentages taken by the components of the resulting electricity supply price for households (the percentages are shown without VAT and the environmental tax).

Chart 1 Percentages taken by the components of the electricity supply price for households in 2015, without tax items

Podíl jednotlivých složek ceny za dodávku elektřiny pro domácnosti v roce 2015 - bez daňových položek



Percentages taken by the components of the electricity supply price for households in 2015, without tax items

Electricity distribution 33.0%

Electrical energy, including the business margin 45.0%

Market operator 0.2%

System services, ČEPS 3.2%

RES, CHP and secondary sources 15.2%

Distributed generation 0.1%

Electricity transmission 3.3%

The regulated component: 55%

All final customers have the opportunity to influence their payments for the uncontrolled part of the final price relatively strongly by selecting their electricity supplier. Their decision-making can be significantly supported by the ready reckoner that helps to compare total costs of electricity supply from different suppliers, which is available on the ERO's website (<http://kalkulator.ero.cz/>).

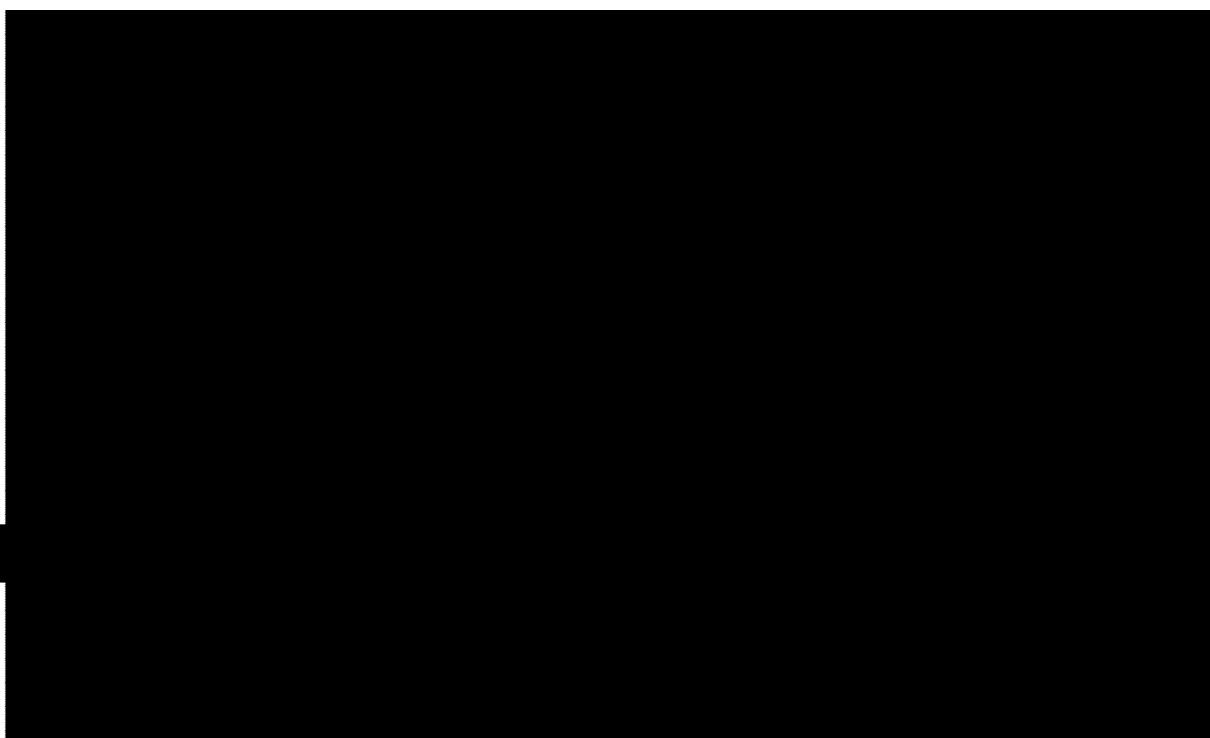
Appendix 1 lists the changes in payments to be registered by household customers with typical demand in the most frequently used tariffs and in each distribution area.

b) Small businesses

In the case of low-demand businesses taking electricity at the low voltage level, the average year-on-year decrease in the regulated components of the electricity supply price, on a comparable basis of the same nature and amount of load, is 1.9%. Again, the change in the price for a particular customer will differ depending on the selected tariff, the nature and amount of load, and also the selected electricity supplier and the region where the customer is connected.

Chart 2 shows the shares of the items of the total electricity supply price for businesses connected to the low voltage level.

Chart 2 Shares of the items of the electricity supply price for small businesses in 2015, without tax items



Percentages taken by the components of the electricity supply price for small businesses in 2015, without tax items

Electricity distribution 37.8%

Electrical energy, including the business margin 41.8%

Market operator 0.2%

System services, ČEPS 3.0%

RES, CHP and secondary sources 14.1%

Distributed generation 0.1%

Electricity transmission 3.1%

The regulated component: 58.2%

c) Prices for high-demand customers

The average drop in the regulated components of electricity supply prices is 2.1% at the EHV level and 1.6% at the HV level. The change in the regulated charges for customers will differ depending on the region in which the customer is connected to the electricity grid and the nature and amount of load.

Appendix 1

EXAMPLES OF CHANGES IN THE COSTS OF ELECTRICITY SUPPLY FOR HOUSEHOLDS USING THE FOLLOWING DISTRIBUTION TARIFFS

Tariff D 02d

This tariff is intended for households with low electricity consumption, which do not use electrical energy for space or service water heating.

Main circuit breaker 3 x 25 A

Average consumption 2,200 kWh

Distribution company (area)	Total annual electricity payment (CZK)		Change in the payment	
	2014	2015	(CZK)	(%)
E.ON Distribuce, a.s.	11,098	10,902	-196	-1.77
PREdistribuce, a.s.	11,341	11,194	-147	-1.30
ČEZ Distribuce, a.s.	11,173	11,167	-6	-0.06

Tariff D 25d

This tariff is intended for household heating using electrical storage appliances or for service water heating using electrical storage appliances.

Main circuit breaker 3 x 25 A

Average consumption: High rate 2,200 kWh
Low rate 2,500 kWh

Distribution company (area)	Total annual electricity payment (CZK)		Change in the payment	
	2014	2015		2014
E.ON Distribuce, a.s.	17,338	17,130	-208	-1.20
PREdistribuce, a.s.	17,150	16,978	-172	-1.00
ČEZ Distribuce, a.s.	17,433	17,413	-20	-0.12

Tariff D 45d

This tariff is intended for household heating using direct electric heating appliances.

Main circuit breaker 3 x 25 A

Average consumption: High rate 600 kWh
Low rate 14,400 kWh

Distribution company (area)	Total annual electricity payment (CZK)		Change in the payment	
	2014	2015		2014
E.ON Distribuce, a.s.	40,551	40,269	-282	-0.70
PREdistribuce, a.s.	39,454	39,183	-271	-0.69
ČEZ Distribuce, a.s.	40,562	40,307	-255	-0.63