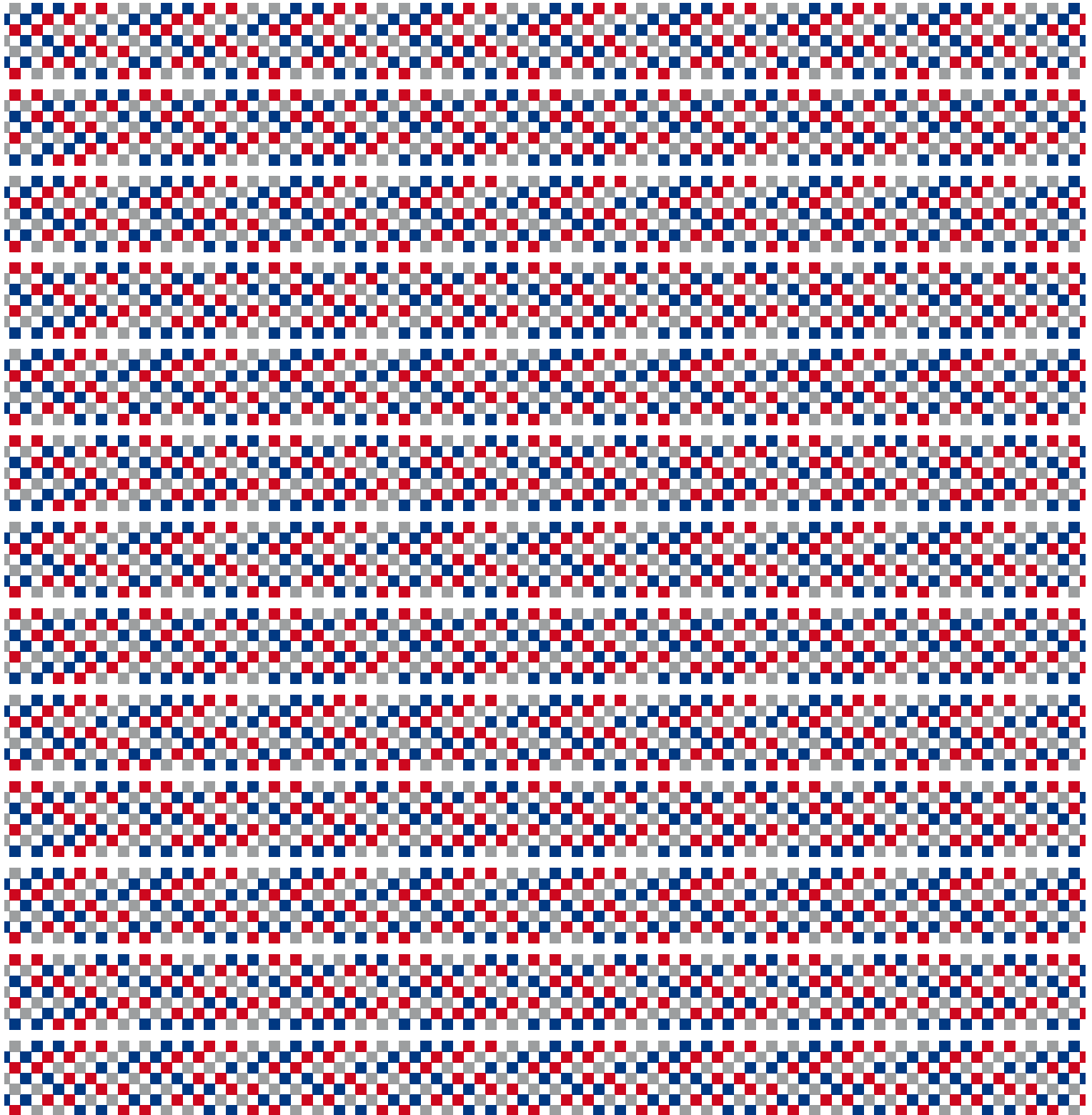


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1/ Introduction



1 Introduction

Under Act No 458/2000, on the Conditions of Business and State Administration in the Energy Industries and Amending Certain Laws, as amended (hereinafter also referred to as “the Energy Act”), the Energy Regulatory Office (hereinafter also referred to as “the ERO” or “the Office”) has been operating as an administrative authority for regulation in the energy sector since 1 January 2001.

The Office’s main responsibilities include market regulation to substitute for free market mechanisms and protecting consumers’ and licence holders’ interests in the segments of energy industries in which competition is not feasible; support for competition; promotion of supported energy sources; and oversight over licence holders’ adherence to conditions of business, thereby creating the preconditions for reliable electricity, natural gas and heat supplies.

In 2013, the Office had to tackle a number of tasks aimed at energy customers’ and consumers’ protection; for example, it handled 8,208 complaints received from consumers, approximately the same number as in 2012. The Office primarily had to respond to the situation where the extra costs of support for renewable sources increased and energy prices were becoming financially untenable for Czech business and households. The Office’s Supported Energy Sources Section therefore took a number of steps that helped to mitigate this growth, thereby reducing the financial burden on final customers caused by energy prices. In mid-2013, the Office announced that under Section 4(8) of Act No 165/2012 on supported energy sources, it would not set operating support for electricity from new capacities that generate electricity from photovoltaic plants and by burning biogas in biogas plants and would be put into operation as of 1 January 2014. In the autumn of 2013, an amendment to Act No 165/2012 also discontinued operating support for new capacities generating electricity from other renewable sources that would be commissioned as of 1 January 2014, and the financing of support for electricity was changed, including the capping of final customers’ contribution to renewable sources.

The Office was equally successful in price regulation for 2014; for the first time ever, the regulated parts of electricity and gas supply prices were significantly reduced. In the gas industry, in 2013 the average charge for gas transmission was cut by 13.05 per cent and the gas distribution charges by 5.75 per cent on average. In regulated parts of the price, the gas distribution charge takes the single largest share, and its reduction for 2014 was due to the decrease in the costs incurred in the procurement of gas for losses and fuel gas, the decrease in the rate of return on assets and the decrease in the charge for gas transmission to the domestic point. On the other hand, the price was pushed up by the positive values of the correction factors that are based on the difference between the planned allowable revenues for 2012 and the actual revenues in 2012, and the decrease in the gas quantity planned for distribution.

In the electricity industry, the regulated charges for electricity transmission and distribution decreased, mainly due to the efficient procurement of ancillary services, and also the correction factor from the preceding years and the imposition of a maximum price for covering the costs incurred in support of renewable sources, specifically CZK 495/MWh. In 2014, the overall regulated part of electricity supply for households dropped by 10.8 per cent on average compared with 2013.

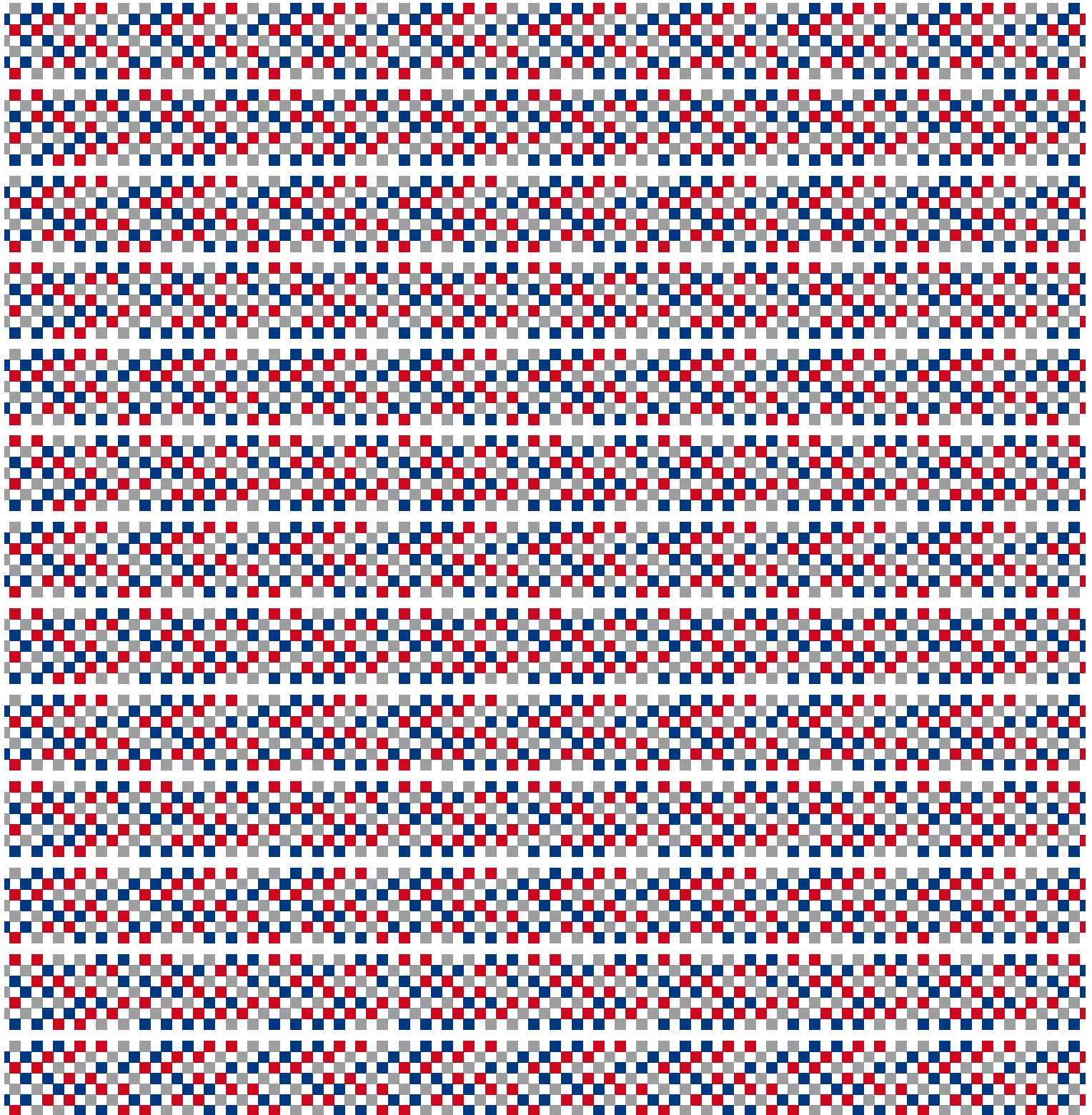
Another important step, which tested the readiness of all of the Office's technical units, was an across-the-board check of the way in which electricity generation from renewable sources had been licensed. In March 2013, the Office received a suggestion from the Ministry of Industry and Trade, conveying a request from two civic associations for examining the situation in regards to connection and licensing in 2009 and 2010. In the light of the gravity of this suggestion and the planned extent of the checks, the Office designed a method for the checks; one of the first steps was reviews of the licence files specified in the suggestion.

Already the first reviews revealed the general societal problem, with heavy financial and social impacts on households and the national economy's competitiveness; this problem cannot be simplified to only the aspect of issuing or otherwise authorisations for business in the energy industries in the form of licences. For the purposes of investigating the circumstances under which the operation of photovoltaic plants had been licensed, in April 2013 an interdepartmental coordination team was set up upon initiative of ERO Chairwoman, Alena Vitásková; the Cabinet and the relevant Ministries cooperated in the establishment and activities of the team, enjoying direct support provided by the President of the Republic, Miloš Zeman. Of a total of 185 licence files reviewed, 120 files were referred to the Supreme Public Prosecutor's Office. As part of some additional measures, 56 licence files were referred to the Police of the Czech Republic. For the remaining 65 files, the Office's Licensing Department remedied the situation. Both minor and more serious mistakes were found in all files.

In licensing, 2013 saw a continued trend from 2012, since mainly smaller renewable electricity generators, interested in economical energy solutions even without any entitlement to operating support, applied for authorisations for electricity generation. On the whole, the number of new licences for photovoltaic plants rose to 27,956, up by 5,919 on 2012.

In 2014, the OFFICE will primarily focus on issues related to consumer protection, the risk of energy poverty, and preparations for the new regulatory periods in the electricity and gas industries. The Office's priorities will also include international activities at the level of the EU and within the Visegrád Four, where the cooperation has been enhanced upon ERO Chairwoman's initiative.

2/ Legislation and administration



2 Legislation and administration

2.1 Preparing amendments to Act No 458/2000 and Act No 165/2012 and drafting a REMIT bill

- **Preparing the amendment to Act No 458/2000 (the Energy Act)**

In line with the plan of the Cabinet's legislative work for 2013, an amendment to the Energy Act was being drafted, in particular with a view to ensuring compliance with the new Civil Code and with the recently adopted rules of review, enhancing consumer protection, and also in connection with the need to remove the discrepancies that had transpired from energy market participants' experience so far. The amendment to the Energy Act was also necessitated in connection with the new EU legislation, which had to be implemented in domestic law, in particular Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.

- **Preparing the amendment to Act No 165/2012 (on supported energy sources)**

On 1 January 2013, Act No 165/2012 on supported energy sources and amending certain laws came into effect. This law was amended in 2013 by Act No 310/2013, with effect as of 2 October 2013 when, most notably, support for certain energy sources was discontinued to prevent an additional disproportionate burden on society caused by payments of high contributions to supported renewable energy sources ("POZE"), and also for the purpose of implementing provisions intended to reveal the ownership structure of the recipients of support. The amendment also modified the provisions under which market participants can receive support, because in the previous provisions no other legal entitlement existed than a distribution contract under which the distributor could demand payments for consumed electricity from another market participant, since the law clearly said that a component of the distribution charge had to be involved and such charge could not be paid under any other contract than a distribution contract. The law then directly defined the areas in respect of which an amount shall be paid for meeting the costs incurred in POZE electricity generation.

- **Preparing the bill on wholesale energy market integrity and transparency, i.e. adopting Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency in Czech law**

The Office drafted a bill on wholesale energy market integrity and transparency, the main purpose of which is to provide for state administration in the wholesale energy market and adjust Czech law to the directly applicable *acqui*, Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency contained (REMIT).

REMIT puts in place a consistent framework for the regulation of the wholesale energy market for the entire EU, defines market abuse in the form of actual market manipulation and attempts to manipulate the market and insider trading on wholesale energy markets, lays down an express prohibition of market abuse on wholesale energy markets, and puts in place a framework for monitoring wholesale energy markets to detect and prevent market abuse. As part of monitoring, the Agency for the Cooperation of Energy Regulators (ACER)¹ shall monitor commercial activities in the wholesale energy markets at the level of the EU on the basis of information obtained from market participants. The information subject to the reporting obligation will be specified by the European Commission in implementing acts, the adoption of which is expected in mid-2014. Market monitoring on the basis of received information will start within six months from the issue of the implementing acts. REMIT also lays down that each Member State shall ensure that its national regulatory authorities have the investigatory and enforcement powers necessary for the exercise of their function under REMIT. Member States shall also lay down the rules on penalties applicable to infringements of this Regulation and shall take all measures necessary to ensure that they are implemented. Provisions on such powers and penalties are the mainstay issue of the proposed law on wholesale energy market integrity and transparency. The bill also provides for certain issues of the cooperation between the Office and ACER, with regulatory and similar authorities of EU member states and with other state administration authorities, and for certain other legal relationships in respect of trading in wholesale energy markets. To ensure effective and efficient investigation and enforcement of REMIT, in particular cooperation between the ERO and the Czech National Bank (CNB) and the Office for the Protection of Competition (ÚOHS) is envisaged in connection with market monitoring, for avoiding double reporting of information, or for investigation in cases of manipulation with the market of commodity and financial derivatives tied to energy products.

However, the bill had not passed through the whole legislative process by the end of 2013 and one of the options being considered is that rather than adopting a separate law, the provisions of this bill will be reflected in the forthcoming amendment to the Energy Act in 2014.

Register of market participants and data sharing

Under Article 9 of REMIT, the Office shall establish a national register of market participants, which shall be kept up to date. For this purpose the Office has decided to use ACER's CEREMP platform. In this system, the market participant will enter the relevant information during the registration process, which will thereupon be transmitted to the national register of market participants and then to the central European register of market participants.

Late 2013 saw the testing of the CEREMP registration system announced by ACER. The Office joined the testing and also invited other companies to the testing (a wholesaler, the electricity and gas TSOs, and an independent trader).

REMIT envisages the existence of a mechanism for ACER to share the fundamental and commercial information that it receives under the REMIT reporting obligation with national regulatory authorities and other institutions. The process of information sharing is important mainly in terms of ACER's cooperation with national regulatory authorities in the monitoring activities at the regional level and for the purposes of monitoring activities carried out by national regulatory authorities. ACER is therefore currently drawing up the requirements that will determine the operating reliability and the scope and form of shared information and access to shared information will only be allowed to the regulatory authorities and other institutions that meet all the requirements set by ACER.

¹ Regulation (EC) No 713/2009 of the European Parliament and of the Council establishing an Agency for the Cooperation of Energy Regulators

Memorandum of Understanding

REMIT envisages cooperation between ACER and national regulatory authorities and market monitoring bodies. For this reason, these entities have entered into a Memorandum of Understanding that lays down the scope and practical conditions of the cooperation envisaged by REMIT between the Agency and national regulatory authorities, with a view to promoting effective, efficient and coordinated monitoring of wholesale energy markets.

The Memorandum of Understanding entered into effect on 17 July 2013 and was concluded for an unlimited period of time.

2.2 Key changes to laws and regulations within the ERO's remit

In 2013, the Office promulgated the following implementing regulations [statutory instruments] in relation to Act No 458/2000, on the Conditions of Business and State Administration in the Energy Industries and Changes to Certain Laws (the Energy Act), as amended, and Act No 165/2012, on Supported Energy Sources and Amending Certain Laws, as amended:

- **Public notice no. 350/2013, amending no. 347/2012 laying down the technical and economic parameters of renewable energy sources for electricity generation and the useful life of plants generating electricity from supported energy sources**

Public notice no. 347/2012 is an implementing regulation related to Act No 165/2012 on supported energy sources, as amended, specifically Section 53(2)(a) and (b) of this law. It specifies the technical and economic parameters, which include, under the law, primarily the costs per installed unit of output, efficiency of using the primary energy content in the renewable source, the load factor and, in the case of generating plants using biomass, biogas or bio-liquids, the cost of fuel. These technical and economic parameters are set out in Appendix 1 to the public notice and compliance with them ensures for the electricity producers a 15-year simple payback period with the support in the form of feed-in tariffs set by the Office. The values of the technical and economic parameters in the appendix to the draft of the new public notice are indicative values considered by the Office in determining the amount of the support for renewable electricity in the form of feed-in tariffs, and failure to achieve them by a plant does not affect the award of the operating support.

The public notice came into force on 8 November 2013.

- **Public notice no. 436/2013 on regulatory methods and procedures in the electricity and heating industries and amending no. 140/2009 on regulatory methods in the energy industries and procedures for price control, as amended**

The Office is authorised to issue the above public notice under Section 98a(2)(f) of the Energy Act and under Section 53(2)(l) of the law on supported energy sources and amending certain laws.

The reason for proposing a public notice for the electricity industry is the adoption of Act No 310/2013 amending Act No 165/2012 on supported energy sources and amending certain laws, as amended by Act No 407/2012, and other related laws, which amends the current wording of the law on supported energy sources in particular with regard to the payment of the costs of support for supported energy sources within the electricity price; the costs of support for supported energy sources will no longer be part of the electricity transmission and distribution charges, but will be included in a separate regulated price for electricity, specifically a price for meeting the costs incurred in support for electricity generated from supported energy sources. The relevant amendment to the law on supported energy sources explicitly sets out, at the statutory level, the amount of electricity consumption subject to the price for meeting the costs incurred in support for electricity, and the conditions for its application.

Another reason for proposing the public notice for the electricity industry is to adjust the terminology and set the input parameters entering the calculation of the price for covering support for electricity and operating support for heat in connection with the amendment to Act No 165/2012 on supported energy sources and amending certain laws, as amended.

Calculation principles remain in accordance with public notice no. 140/2009, as amended, and are in accordance with the current wording of Act No 165/2012, as amended, which provides for the model of support for electricity from supported energy sources and distributed electricity generation and the method of the payment of the support for electricity from the above capacities, through the market operator. The support in the form of feed-in tariffs related to the mandatory purchase of renewable electricity continues to be paid to electricity generators through the electricity trader obliged to such purchases. The difference between the market price of electricity and the fixed feed-in tariff will, however, be paid (compensated) to the mandatory purchaser by the market operator. The support in the form of green premiums related to the purchase of this electricity on the market is paid through the market operator from a separate account. The market (hourly) price of electricity is paid to electricity generators by the buyers. Funds for the support of the above electricity sources will be allocated from a separate price for electricity support, which will not be part of the charge for electricity distribution and the amount of which has been set as the maximum price of CZK 495/MWh in the amendment to Act No 165/2012, in the wording of Act No 310/2013. Other costs that will not be covered by the collection of this contribution will be met by funds constituting the subsidy from the national budget, approved by the Czech Government.

In order to achieve the European energy and environmental targets, the integration of renewable energy within the electricity grid must be promoted. Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC therefore requires the member states to take the necessary steps for the development of electricity transmission and distribution networks to ensure the safe and reliable operation of the electricity grid that enables the development of renewable electricity generation. This objective is also reflected in Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, in the recitals of which the member states are to encourage the modernisation of distribution networks, such as through the introduction of smart networks, which should be built in a way that encourages decentralised generation and energy efficiency. Under Article 36 of Directive 2009/72/EC, the Office, as the national regulatory authority, is required, *inter alia*, to achieve, in the most cost-effective way, the development of secure, reliable and efficient non-discriminatory systems that are consumer oriented, and promoting system adequacy and, in line with general energy policy objectives, energy efficiency as well as the integration of production of electricity from renewable energy sources in both transmission and distribution networks. The Office therefore has to ensure that system operators and system users are granted appropriate incentives, in both the short and the long term, to increase efficiencies in system performance and foster market integration. Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009, also introduces a system of incentives for projects of common interest, i.e. projects that, *inter alia*, contribute to supply sustainability and security at the EU level.

In order to ensure uninterrupted energy supply for affordable prices, major investment in the energy infrastructure was and is required, mainly with regard to the integration/impacts of electricity generation in distributed capacities (including electricity loop flows from neighbouring systems) into/on the operation of the transmission system and distribution systems and preserving the reliability of supply to consumers.

Thus, public notice no. 436/2013 responds to the above situation and defines a new parameter for the TSO and the DSOs: the investment development factor, which is part of incentive-based regulation and is intended to motivate entities to invest in capital projects. In connection with introducing this parameter, the draft public notice was extended to include, unlike the current no. 140/2009, as amended, the notified parameters of the regulatory formula for the regulated year for holders of electricity transmission and distribution licences. Related calculations were included in Annex 1 Procedure for pricing electricity transmission, Annex 3 Procedure for pricing electricity distribution and Annex 11 Setting the correction factors in the electricity industry, of the above public notice.

In order to pursue long-term and strategic plans for developing a high-quality, reliable and safe energy network ensuring a sufficiently high quality of supply for final customers, a legal and regulatory environment that is stable for the long term must be put in place. For this reason, and in relation to the introduction of the investment incentive factor, public notice no. 436/2013 extended the current regulatory period for the electricity industry by one year.

Because of the above modifications, public notice no. 436/2013 demerges the entire part on the electricity industry, and also on the heating industry, from the current no. 140/2009 on regulatory methods in the energy industries and procedures for price control, as amended, which has provided for all energy industries, i.e. for price controls in all energy industries, until now.

The public notice came into force on 1 January 2014.

2.3 Customers and their position on the liberalised market

Consumer protection is one of the Office's priorities. In May 2013, the Office therefore organised a conference on the *Protection of Consumers' and Customers' Rights in the Energy Market* held in Prague.

Together with the Ministry of Industry and Trade the Office is also preparing to implement Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR) in Czech law. The work is comprised of two groups of issues:

- internal arrangements for alternative dispute settlement within the Office, and
- draft legislation.

Under the above Directive, and in line with ERO Chairwoman's decision, an institutional internal arrangement was put in place for consumer dispute resolution, and takes the form of the Office's internal ombudsman.

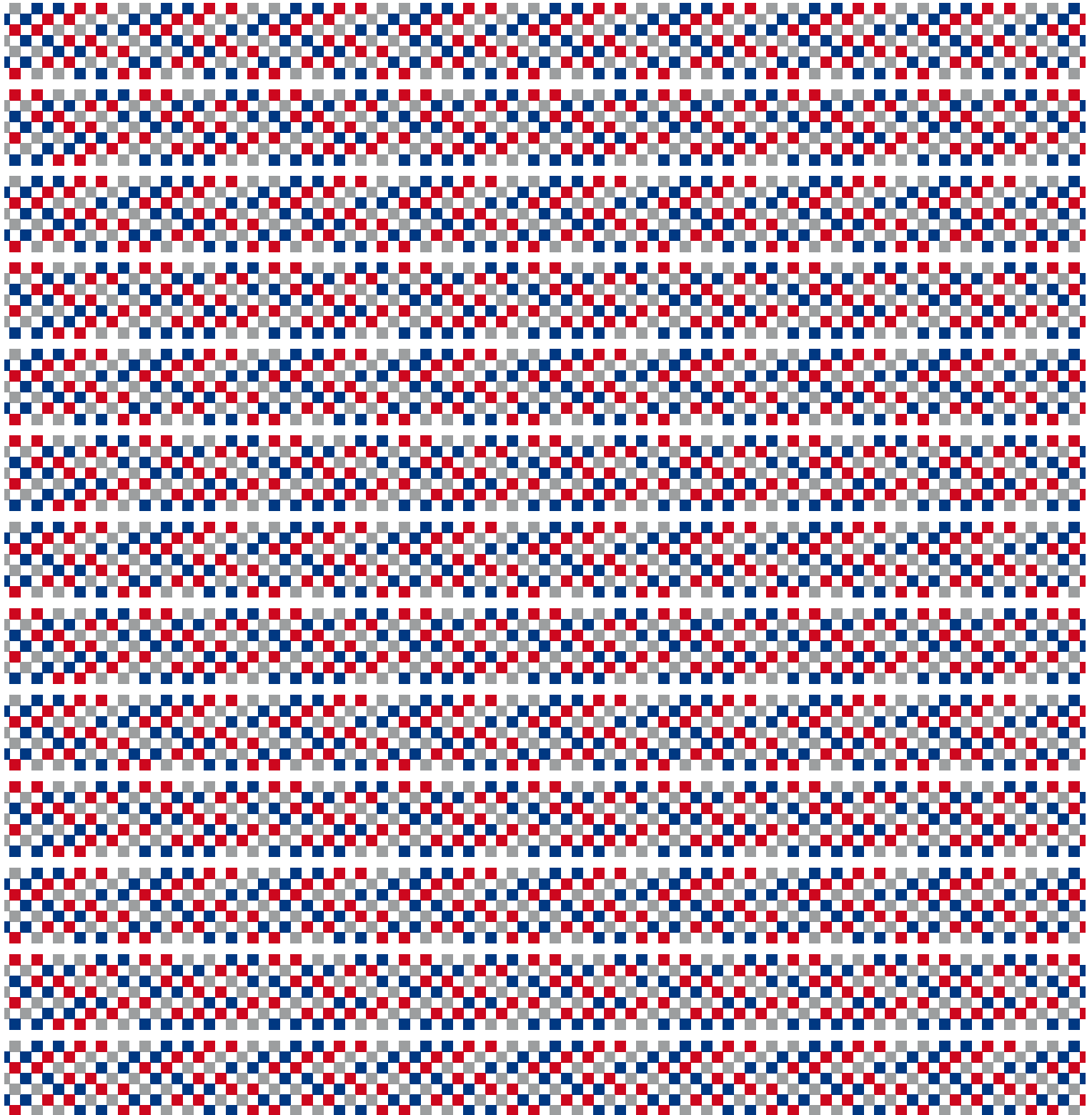
Table 1 Number of submissions accepted and resolved by the consumer protection unit

2013	
Submissions in writing	3,006
Over the telephone	4,764
Submissions filed in person	438
Total	8,208

2.4 Administrative proceedings

A list of administrative proceedings in 2013 is contained in Appendix 1.

3/ Regulation of energy industries

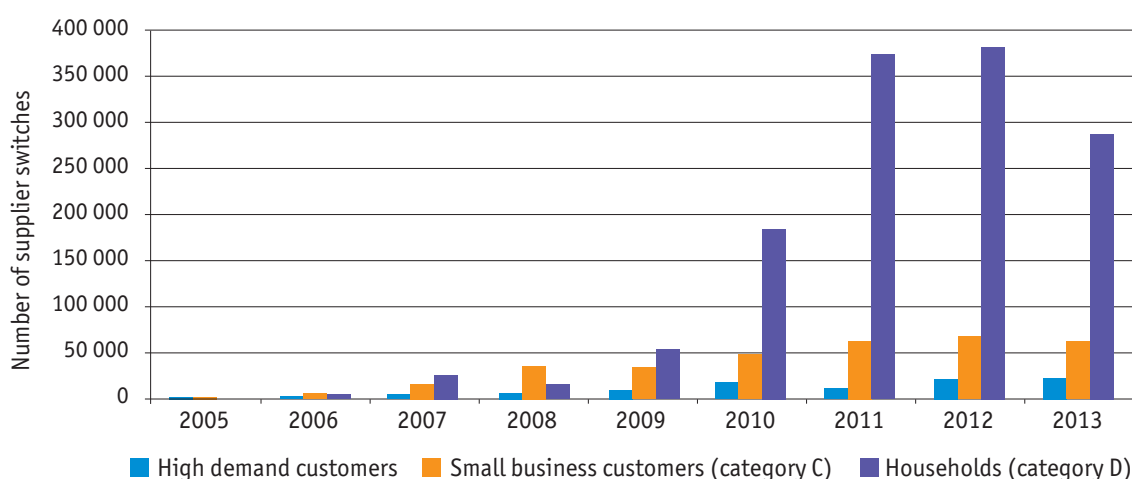


3 Regulation of energy industries

3.1 The electricity industry

In connection with competitive fight on the market, with more and more businesses seeking to supply electricity to customers, 2013 saw major changes on the electricity market. Unlike in the preceding year, when business companies mainly relied on door-to-door sales, they currently vie for customers using other tools such as advertising campaigns, participation in mass-scale electronic auctions for groups of customers, and acquisition of weaker competitors. In spite of that (Chart 1), in 2013 the number of supplier switches dropped by approximately 100,000 customers, i.e. a decline of one-fifth in supplier switching on a year-on-year basis. While 448,000 customers changed their electricity supplier in 2011, and the figure was 472,000 in 2012, in 2013 it was only 373,000 customers. This situation can be attributed to the complications faced by customers when they want to terminate a fixed-term contract, which is liable to high penalties. A detailed view shows that the decline in supplier switching mainly concerns households. A year-on-year increase in the transfer of supply points to a different supplier was only registered in the segment of large corporate customers.

Chart 1 Annual electricity supplier switching in the main customer categories



Source: OTE, a. s.

In the light of the currently running third regulatory period (2010-2015), the key principles of the calculation of controlled prices are the same for each of the years in the regulatory period. There was a change in the structure of the distribution tariffs for customers taking electricity from low

voltage (LV) networks, where customers have been able to select the tariff intended for electric vehicle owners/operators as of 1 July 2013.

The Office controls the prices of electricity supply for final customers in the Czech Republic through regulated prices, which include electricity transmission and distribution charges, the charge for system services, the charge for meeting the extra costs of support for electricity generation, and the charge for the market operator's services in the electricity industry. The uncontrolled component of the overall price is the price of electrical energy offered by the various suppliers, i.e. electricity traders and producers. The price of electrical energy as such is a contract price and depends on the selected product provided by the supplier, and the Office has no means to influence its level. The price of electrical energy accounts for about 40 to 60 per cent of the resulting price of electricity supply (depending on the voltage level and the customer's consumption). The decline in the number of supplier switches also indicates that the price spreads between large and smaller (alternative) electricity traders are gradually shrinking.

Since 2008, an environmental tax on electricity has been a part of the electricity supply price as an additional item under Act No 261/2007, on the Stabilisation of Public Budgets.

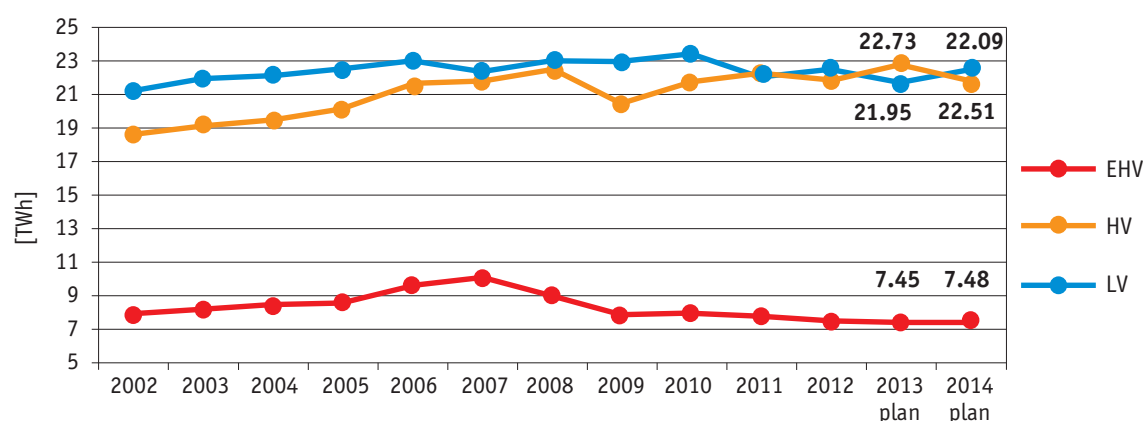
The Office sets out all regulated electricity prices every year in its price decisions by 30 November of the calendar year preceding the regulated year and with effect from 1 January of the regulated year. In 2013, the Office promulgated ERO Price Decision No 5/2013 of 27 November 2013, laying down regulated prices related to electricity supply, and ERO Price Decision No 6/2013, of 27 November 2013, laying down regulated prices of services related to electricity supply to customers connected to low voltage networks.

3.1.1 Regulated prices related to electricity supply

Under the Energy Act and public notice no. 436/2013 on regulatory methods and procedures in the electricity and heating industries and amending no. 140/2009 on regulatory methods in the energy industries and procedures for price control, as amended, the Office sets, on an annual basis, the charges for regulated services related to electricity supply.

Within a regulatory period, the level of controlled prices related to electricity supply is mainly influenced by inflation factors, electricity demand for which the prices are calculated (Chart 2), the capacities booked in the transmission system and distribution systems, the price of electrical energy for covering network losses in the transmission and distribution systems, the change in the expected output from supported energy sources and also correction factors.

Chart 2 Consumption at the EHV, HV and LV levels



Regulated prices related to electricity supply for 2014

Electricity transmission charge

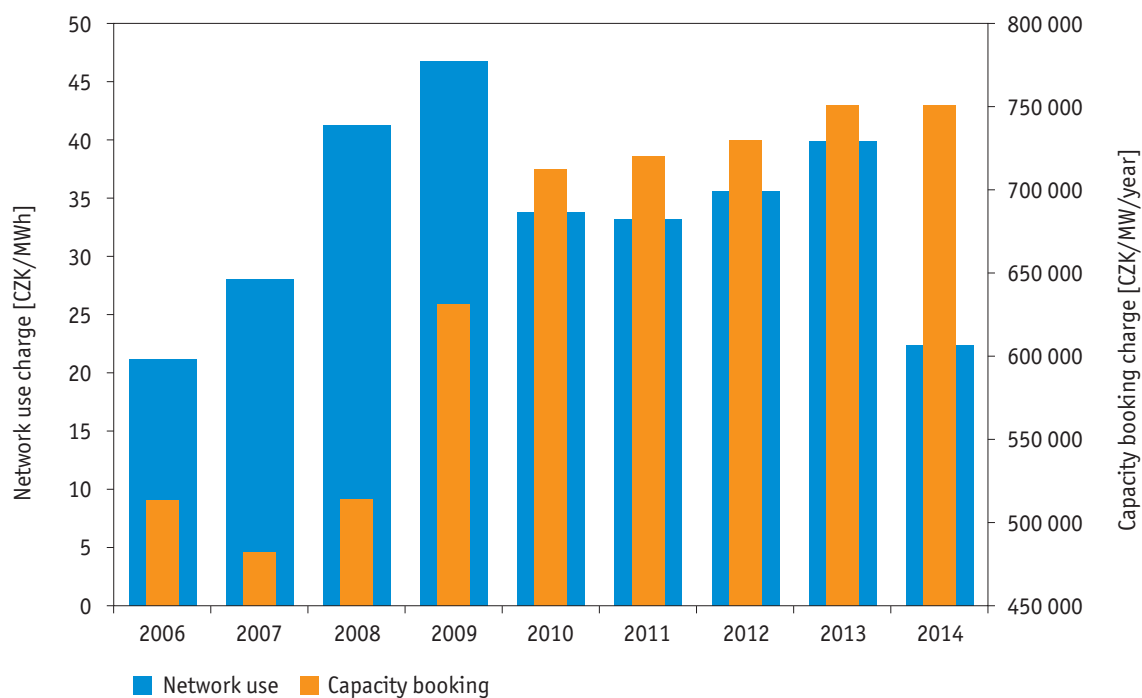
The electricity transmission charge is composed of the charge for booked transmission capacity and the charge for network use in the transmission system.

The heaviest pressure for the year-on-year decrease in the charge for capacity booking in the transmission system came from the year-on-year change in weighted average cost of capital (WACC) thanks to the decrease in the risk-free rate of return and cost of debt capital. The increase in the charge for capacity booking in the transmission system was mainly due to the drop in the booked capacity of the transmission system operator and the investment development factor of the transmission system operator, which had been put in place on the basis of an analysis of the need for funds for capital expenditure related to the development of distributed generation, including the electricity overflows from adjacent systems. The result is that the charge for capacity booking was almost stable year-on-year.

The charge for transmission network use has been positively influenced by all the factors that can influence the charge. The price of energy for covering losses in the transmission system dropped significantly, overall losses decreased and the expected load on the transmission system increased. The charge for using the transmission networks therefore plummeted by 43.95 per cent year-on-year. The customers pay this charge in the charge for electricity distribution. The charge for using the TSO's networks accounts for one per cent (at the LV level) to eight per cent (at the EHV level) of the total electricity distribution charge.

Chart 3 shows the electricity transmission charge between 2006 and 2014.

Chart 3 Components of the electricity transmission charge



Electricity distribution charge

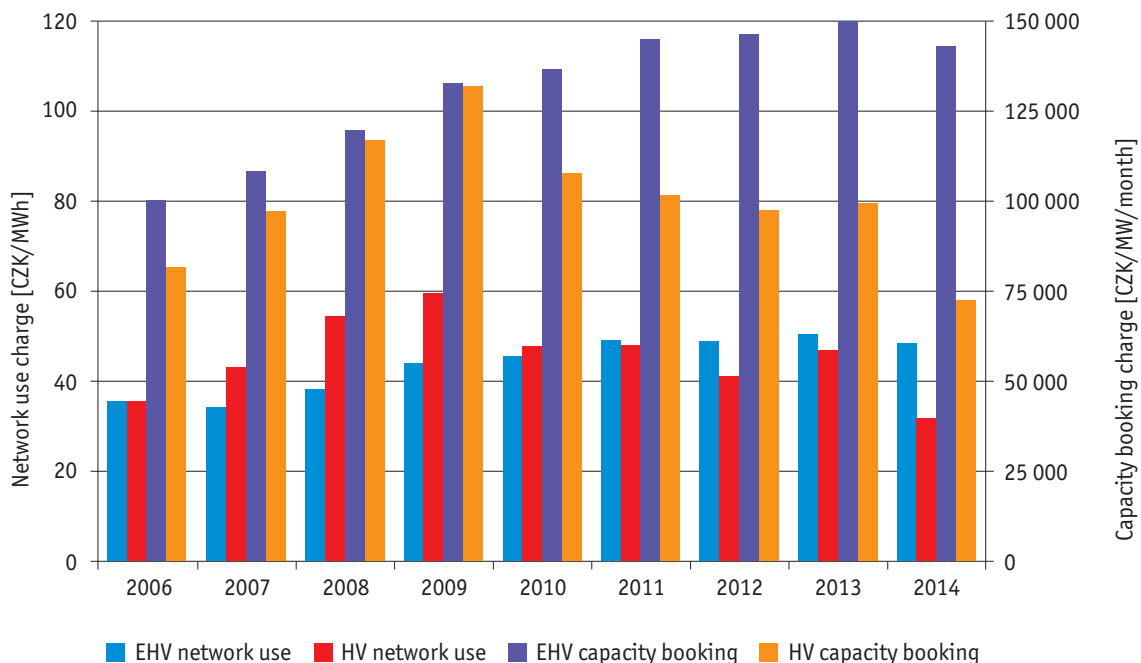
The charge for electricity distribution at EHV and HV levels is composed of a charge for capacity booked in the distribution system and a charge for network use in the distribution system. The charge for electricity distribution at the LV level is composed of a charge for capacity booked in the distribution system (or booked input power) determined by the rated current of the main circuit breaker upstream of the electricity meter and the charge for using the distribution system. The charge for using the distribution system can be broken down to the price for the electricity quantity distributed at the high rate and the price for the electricity quantity distributed at the low rate.

The charge for capacity booked in the distribution system differs for each of the regional distribution systems, which is mainly due to the different amounts of eligible costs, depreciation and profit, and also the different overall booked capacity in the particular distribution system. In general, the decline in the charge for capacity booking in a distribution system was, as in the case of the charge for capacity booked in the transmission system, caused by the lower WACC. Increases in the charge for capacity booking in regional distribution systems were mainly due to the investment development factor of the distribution system operators, which had been put in place on the basis of an analysis of the need for funds for capital expenditure related to the development of distributed generation, including the electricity overflows from adjacent systems. A slight negative impact on this charge was also produced by the year-on-year decrease in booked capacity, but the average monthly charge for annual booked capacity in a distribution system decreased by 3.68 per cent at the EHV level and by 4.63 per cent at the HV level year-on-year.

The charge for network use in 2014 has been favourably influenced by the year-on-year decrease in the price of electrical energy for covering losses. On the national average, the network use charge decreased by 32.08 per cent on the EHV level and by 27.65 per cent on the HV level year-on-year.

Chart 4 shows the two components of the distribution charge from 2006 to 2014.

Chart 4 Components of the charge for electricity distribution at the EHV and HV levels

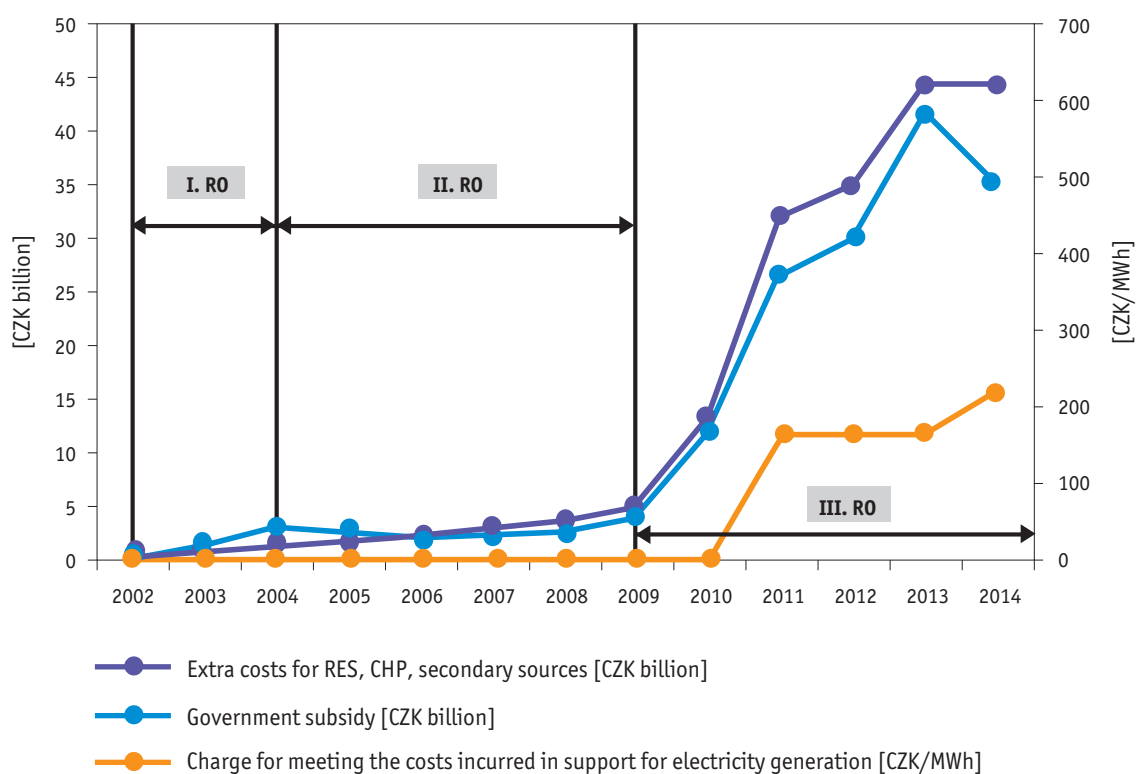


The charge to meet the costs incurred in support for electricity

The charge to meet the costs incurred in support for electricity decreased for the customers for the first time since 2006; the year-on-year decrease was 15.09 per cent. The decrease in the charge to meet the costs incurred in support for electricity is mainly due to the amendment to Act No 165/2012 on supported energy sources, which capped this charge at CZK 495/MWh. The costs unmet by income from the payments of the charge for meeting the costs incurred in support for electricity will be paid from the national budget through a subsidy, approved by the government, amounting to CZK 15.7 billion for 2014, including operating support for heat.

The charges for meeting the costs incurred in support for electricity and the levels of the government subsidy and total costs incurred in support for electricity between 2002 and 2014 are shown in Chart 5.

Chart 5 Charges for meeting the costs incurred in support for electricity



Note: I. RO = First regulatory period (2002–2004), II. RO = Second regulatory period (2005–2009), III. RO = Third regulatory period (2010–2015)

Charge for system services

The system service charge for 2014 has decreased by 9.79 per cent mainly due to the lower costs of purchasing ancillary services, with the help of which the TSO provides the system services that help to balance electricity generation and consumption. Another favourable factor helping to reduce this charge for 2014 to CZK 119.25/MWh was the correction factor for 2012.

Charge for the market operator's activity in the electricity industry

The charge for the market operator's activity in the electricity industry in 2014 has been set at CZK 7.55/MWh and is almost the same as in 2013. This charge contains three components: the price for the market operator's services, in 2014 amounting to CZK 3.55/MWh, the charge for meeting the costs incurred in support for electricity, amounting to CZK 2/MWh under Act No 165/2012 on supported energy sources and amending certain laws, and the fee for the Office's activity under Section 17d of the Energy Act, amounting to CZK 2/MWh.

Electricity supply prices for households and low-demand business customers

The average price of electricity supply for households, comprised of the above regulated prices and the uncontrolled price of electrical energy, decreased by 10.94 per cent year-on-year and amounts to CZK 3,281.58/MWh for 2014. The average year-on-year decrease in regulated parts of electricity prices is 10.83 per cent and the average year-on-year decrease in the uncontrolled part, electrical energy, is 11.06 per cent (on a comparable basis in terms of the nature and amount of consumption when comparing 2013 and 2014).

In the case of small business customers connected to the LV level, the average price of electricity supply decreased by 10.63 per cent year-on-year (on a comparable basis in terms of the nature and amount of consumption when comparing 2013 and 2014) and amounts to CZK 3,561.45/MWh in 2014.

However, the change in prices for each particular customer will differ depending on the region in which the customer is connected to the grid due to the nature and type of specific demand, including the choice of the electrical energy supplier. Chart 6 shows the percentage shares (including VAT and electricity tax) of each of the components in the resulting price of electricity supply for customers for 2014.

The development of average electricity supply prices for households and each of their components since 2006 are shown in Chart 7.

Chart 6 Percentage shares taken by each of the components of the electricity supply price for households in 2014 (including tax items)

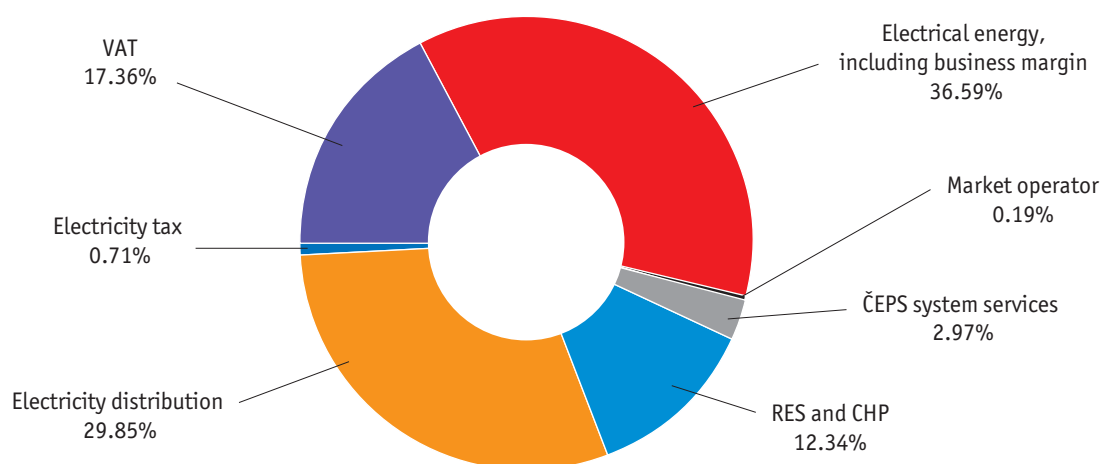
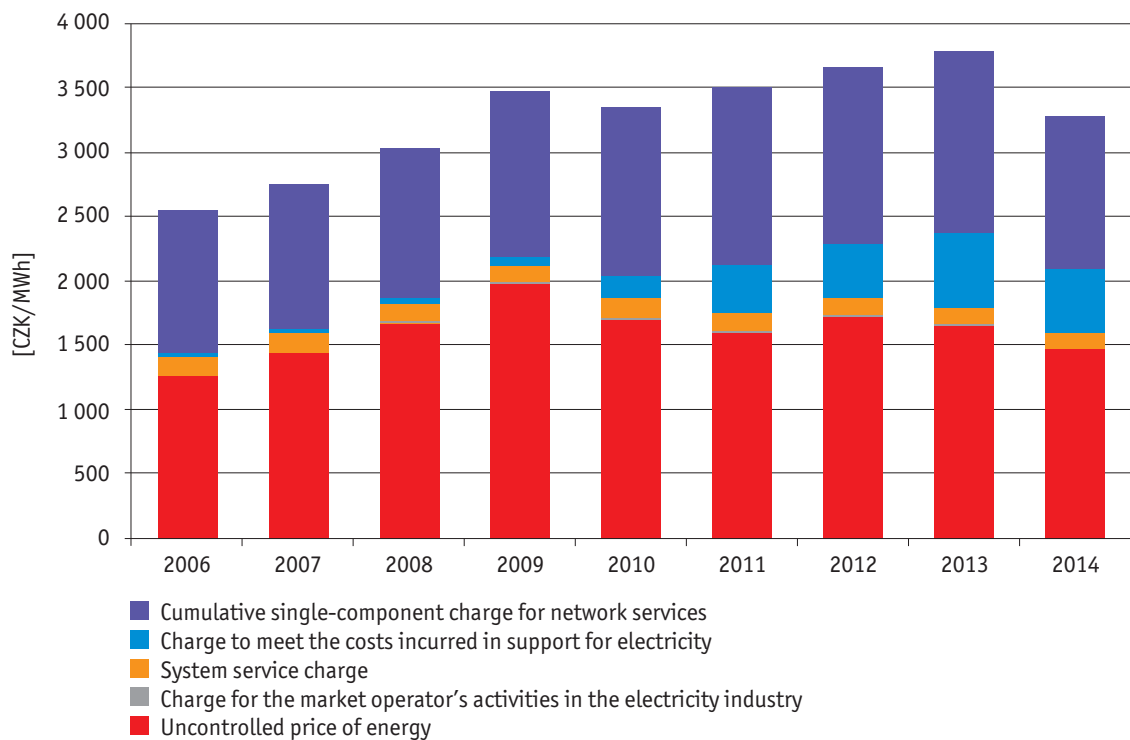


Chart 7 Average prices of electricity supply for households



The price of the supplier of last resort

The option of the supplier of last resort was used in 2013 for five supply points. The prices of suppliers of last resort are regulated as cost-plus prices and economically justifiable costs are set out in Annex 2 to ERO Price Decision No 5/2013.

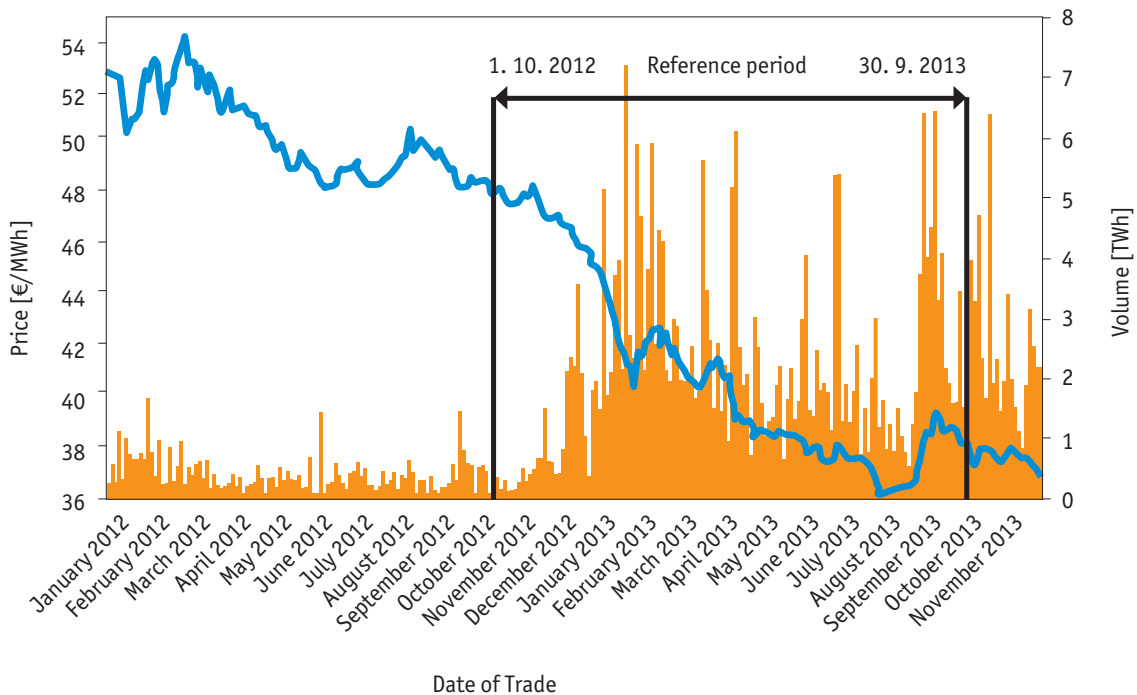
3.1.2 Unregulated energy price

On the liberalised electricity market, all customers can, by choosing their electricity supplier, influence the price they pay for electrical energy. The prices asked by the various electricity suppliers can be compared using, say, the ready reckoner on the Office's website (<http://kalkulator. eru.cz/>).

On today's liberalised market, the price of energy mainly depends on the prices of the products traded at power exchanges. For the Czech market, trading at EEX (European Energy Exchange AG) in Germany and at the Prague energy exchange (Power Exchange Central Europe, PXE) is relevant.

The development of the price of base load electrical energy for 2014 over the past two years is shown in Chart 8, which indicates the current trend of decline in prices, primarily caused by electricity generation from supported energy sources, which have very low marginal costs of electricity quantities produced.

Chart 8 Base load prices in 2013 at the energy exchange (EEX – Base Load Cal 14)



3.1.3 Assessment of the development plan for the electricity transmission system

Section 24(10)(j) of the Energy Act requires ČEPS, a.s., the transmission system operator, to prepare a ten-year plan for the development of the electricity transmission system, including an investment programme, on an annual basis. This obligation has arisen from the implementation of the requirements of the third energy package in the Energy Act. The underlying idea of the whole process of long-term planning for the development and modernisation of energy infrastructure is to find the best way for the gradual integration of energy markets in Europe. The ERO then carried out an analysis of the submitted substantiation for the various investment plans as part of assessing the ten-year plan.

The investment programme submitted by ČEPS, a.s. in 2013 covered the period 2014-2023 and included capital expenditure of some CZK 51 billion. The programme envisages the replacement and/or refurbishment of the existing assets and also an extension of the company's transmission lines by about one-quarter from the current 3,508 km of 400 kV lines. The plan envisages the modernisation of capacities in north-western Bohemia (Ledvice, Počeradý and Mělník) and exporting the relevant output to the grid. The requirements for connection to the network include investment in network expansion related to the completion of the Temelín NPP. Other investments will be required for exporting the output of the Chomutov wind park and other 100 MW renewable capacities in the Karlovy Vary area into the grid. The growth in electricity demand in some regions (in particular western Bohemia, the Ostrava area and the Prague agglomeration) necessitates reinforcements of the transformation capacities in the grid, which results in the erection or expansion of 400kV/110kV substations and transformer stations (Dětmarovice, Prosenice, Lískovec, Verněřov, Vítkov, Chodov and the new Praha-Sever supply station).

The capital expenditure on the replacement/refurbishment of the existing assets amounts to about CZK 2 billion per year. The upgrade of the 220/400 kV system is based on its historical development.

The capital expenditure for the period from 2014 to 2023 is expected to total CZK 4 billion to CZK 7.5 billion per year.

The rising power of unplanned flows from other countries, mainly Germany, is posing a risk to the safety of the Czech electricity grid. Over the short term, the safety and reliability of the operation of the transmission system is being ensured by modernising crossings and reinforcing the loadability of the phase conductors in selected sections of the most heavily loaded lines. ČEPS is also preparing some other solutions, included in the ten-year development plan, such as erecting new and double-circuiting old lines. With a view to preserving safe operation and meeting the N-1 safety criterion in the transmission system, ČEPS started, following agreement with the German side, preparations for the erection of phase shifting transformers (PST) on the Czech-German interconnection sites (four machines with an installed throughput capacity of 850 MVA). They can control the flow of active power in the branch in which the transformer is included. The Office endorsed the ten-year investment plan submitted by ČEPS in 2013.

3.1.4 Supported energy sources

In respect of supported energy sources, the adoption of Act No 165/2012 on supported energy sources and amending certain laws changed the system and philosophy of support for renewable, or, now, supported energy sources. The Office participated in the design and implementation of the new system of support, and in this connection reinforced the staffing of its relevant units. The Office's employees participated in physical checks of electricity generating plants using supported energy sources prior to licensing them for electricity generation to make sure that the entities applying for the licence had satisfied the statutory conditions for licensing.

In 2013, the Office continued in the direction that it had stated in the spring of 2012, when it informed the public that it would seek to discontinue the operating support for new renewable capacities. Together with the Ministry of Industry and Trade, the Office participated in the drafting of an amendment to Act No 165/2012 on supported energy sources and amending certain laws, as amended. The primary objective of the amendment was to reduce the support provided to supported energy sources. The underlying motivation was to mitigate the impact of the financial support on Czech industry's competitiveness and, not least, to arrest the disproportionate growth in energy costs for households caused by the continuously rising charges for supported energy sources. The approved amendment to the law on supported energy sources was promulgated in the Official Gazette as Act No 310/2013, which amends Act No 165/2012 on supported energy sources and amending certain laws, as amended by Act No 407/2012, and other related laws. As of 1 January 2014, support for electricity generation from biomethane and bio-liquids and for new renewable capacities was discontinued by this law, with the exception of up to 10 MW small hydroelectric power stations.

In 2013, the Office drew up, as part of the application of its Price Decision No 4/2012 of 26 November 2012, laying down support for supported energy source, explanatory statements on the biogas plants commissioned in 2013. ERO Explanatory Statement 1/2013 on electricity generating plants and units of biogas stations claiming operating support for electricity based on burning biogas in biogas plants, especially in connection with the categorisation of biogas stations depending on their installed capacity, responded to the fact that the amount of support for biogas plants commissioned in 2013 was categorised by installed capacity, up to 550 kW and over 550 kW. In late 2013, the Office issued ERO Explanatory Statement 3/2013, which clarified the definition of useful heat from renewable sources and specified the permissible methods for using useful heat from renewable sources. The reason for this explanatory statement was the ambiguities in the interpretation of the term 'useful heat'. The ERO explanatory statements indicate the approach that the Office will take into account in its decisions under Section 17(7)(d) of the Energy Act in cases where the dispute concerns the application of points 1.8.3 and 3 of the price decision laying down support for supported energy sources.

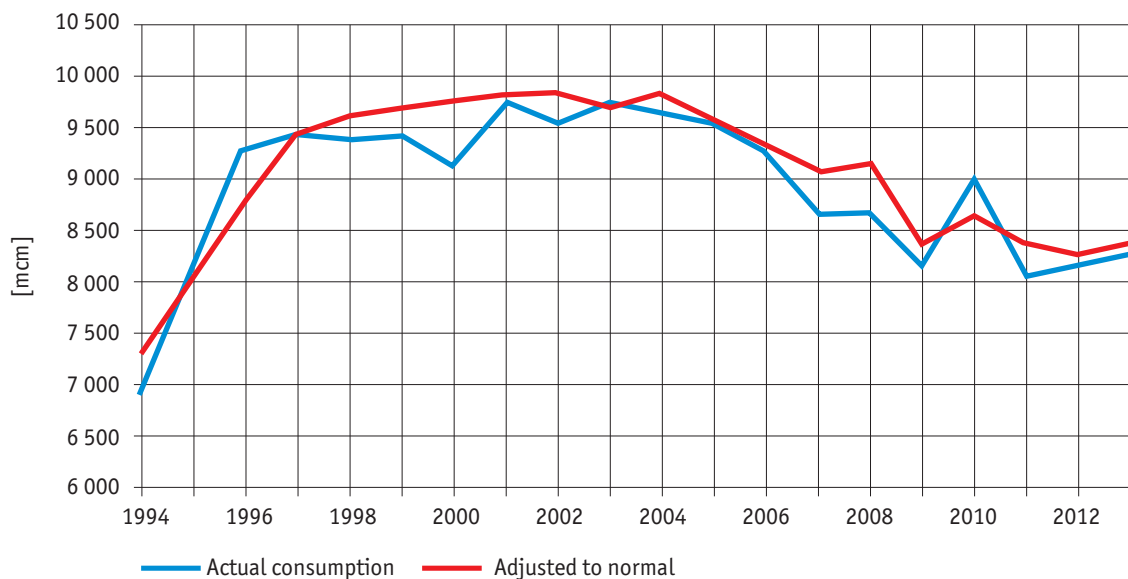
Price Decision No 4/2013 of 27 November 2013, laying down support for supported energy sources, reflected the statutory requirement of a 2% increase in feed-in tariffs for the existing electricity generating plants, with the exception of those at which fuel costs are a major factor. In line with the statutory requirements, in the price decision the Office laid down the support for electricity generated from secondary sources and also for electricity produced in the process of high efficiency combined heat and power generation; the final calculation of the green premiums reflected the changes in the input parameters. As in the price decision for 2013, in 2014 the Office again places an emphasis on the maximum use of heat by plants using biomass and biogas.

3.2 The gas industry

On a preliminary basis, the Czech Republic's actual gas consumption amounted to 87,968.7 GWh (8,277.1 mcm) in 2013. Compared with 2012, actual gas consumption rose by 1.5 per cent. In 2013, the highest monthly consumption was registered in January at 12,900.8 GWh (1,218.8 mcm). The highest daily actual consumption was metered on Friday 25 January 2013 at 500,973 MWh (47.333 mcm), when the average daily ambient temperature was minus 8.6 °C.

Adjusted to long-term normal temperatures, annual gas consumption amounted to 88,922.9 GWh (8,366.0 mcm) in 2013. Comparing the adjusted gas consumption figures for 2013 and 2012, a slight increase in consumption by 1.4 per cent can be seen. The country's actual and adjusted gas consumption between 1994 and 2013 is shown in Chart 9.

Chart 9 Annual gas consumption (1994-2013)



Customers are categorised as high demand, medium-sized demand, low demand and household customers by the purpose of gas use and annual consumption. In 2013, high demand customers were responsible for the largest share of gas consumption; they took 38,572.5 GWh, i.e. 43.85 per cent of the total gas quantity consumed in the Czech Republic; then followed household customers who took 26,128.6 GWh (29.70%), low demand customers taking 12,941.3 GWh (14.71%) and medium-sized demand customers with 8,704.0 GWh (9.89%). Annual gas consumption also includes 'other gas' covering house load, losses and line pack in gas systems, which accounted for 1.85 per cent.

Highlights of 2013

The year 2013 was important in terms of changes in the ownership structure of some gas companies. The latter half of the year saw the change of the owner of the TSO. The 100% ownership interest in NET4GAS, s.r.o. was transferred under a purchase agreement from RWE Gas International N.V. to HYX Czech, s.r.o., subsequently renamed NET4GAS Holdings, s.r.o., which is the sole member of and controls the TSO. The owners of NET4GAS Holdings, s.r.o. are companies in Allianz and Borealis portfolios. The agreement on the transfer of the ownership interest came into effect on 2 August 2013.

Another major event on the gas market was the merger of DSOs in the RWE Group to form a single successor organisation, effective from 1 November 2013. The successor company is RWE GasNet, s.r.o. Since this merger, three regional distribution companies have been providing gas distribution in the Czech Republic: E.ON Distribuce, a.s., Pražská plynárenská Distribuce, a.s., člen koncernu Pražská plynárenská, a.s., and RWE GasNet, s.r.o. The change had a significant impact on the calculation of regulated prices for 2014.

3.2.1 The gas market

The retail market

In 2013, the Office registered 62 active traders who supplied gas to customers. Compared with 2012, the rise in the number of traders was not as steep as in the preceding years. The retail gas market is saturated now, and potential new traders are not able to win customers as easily as at the beginning of the gas market liberalisation. Customers who were not satisfied with their traders' pricing policy or services have already switched their supplier in most cases. The number of customers who sign fixed-term gas supply contracts is also continuously rising, and when they want to switch suppliers, they are more constrained by the contract terms. Energy legislation does not prohibit these customers from supplier switching, but the termination of the contract may attract a financial penalty under the commercial terms and conditions.

In the past, a major part of supplier switching was carried out on the basis of contracts signed on the basis of door-to-door sales by sales representatives. However, in such cases the customers were frequently not provided with complete and true information about the product offered and a number of cases entailed unfair commercial practices, resulting in damage to customers' rights. Certain municipalities have prohibited peddling within their limits, including offers of gas supply services through sales representatives. The result for many gas traders was that they had a smaller number of customers with whom they could sign new gas supply agreements.

Municipalities also organised several e-auctions, in which their residents could also participate. E-auctions can bring savings of gas supply costs, but those intending to participate are well advised to consider the potential risks that can result in accepting disadvantageous contract terms and, ultimately, in the disconnection of supply. It is also to be noted that customers do not know the e-auction winner in advance, or the contract terms the winner proposes. In some cases, the quality of the supplier is only assessed on the basis of the lowest price bid, disregarding the other criteria in supplier selection. The Office has found the conditions of e-auctions non-transparent in many cases, and the customers will therefore not achieve the required savings. In addition, firms having no prior experience with gas supply, in respect of which a risk exists that they will not be able to honour their contractual obligations, have started to crop up on the market.

The Office registered a total of 2,858,874 customers taking gas in 2013. Compared with 2012, there were 9,209 less customers, i.e. a loss of 0.3 per cent.

In 2013, the household category had the largest number of customers, 2,649,092, followed by the low demand category (i.e. natural and juristic persons carrying on a business and taking up

to 630 MWh per year) with 201,188 customers. The medium-sized demand category (i.e. natural and juristic persons carrying on a business and taking between 630 and 4,200 MWh per year) had 6,958 customers and the high demand category (i.e. customers taking more than 4,200 MWh per year) had 1,636 customers.

In 2013, 297,281 customers switched their supplier, i.e. 50,000 less than in 2012. The largest number of supplier switches, 264,680, took place in the household category, accounting for 89.03 per cent of all changes.

In the low demand category, 29,091 supplier switches took place, i.e. 14.46 per cent of the total number of changes; the medium-sized demand customer category saw 3,061 supplier switches, i.e. 43.99 per cent of their total number; and 449 high demand customers switched their supplier, i.e. 27.44 per cent of these customers.

In the low demand, medium-sized demand and high demand categories the largest number of supplier switches took place in January. The reason is that these customers often have gas supply agreements in place for a calendar year and as of 1 January change their trader for the following 12 months.

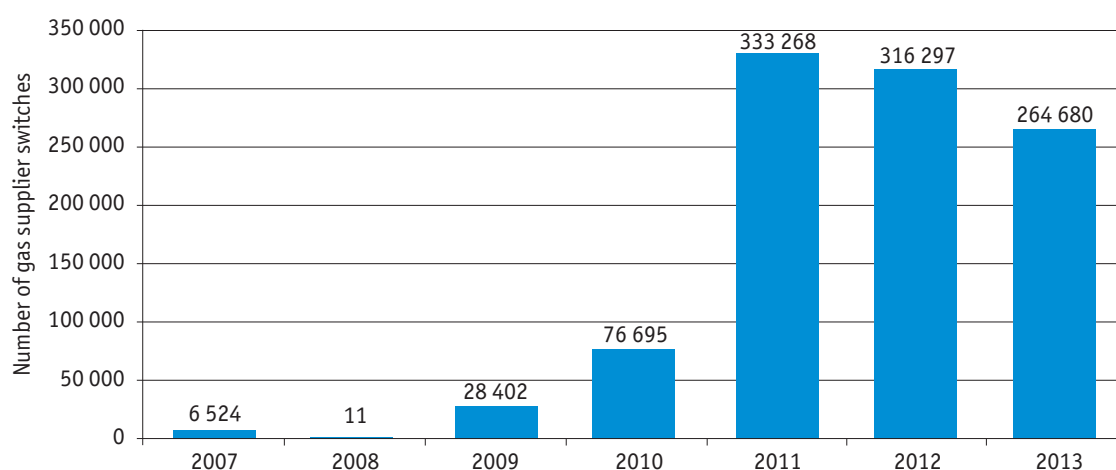
The number of supplier switches since the start of the gas market liberalisation in the Czech Republic, for the household category, is shown in Chart 10.

Table 2 Gas supplier switches

Type of demand	2012	2013	2013	2013
	Number of supplier switches	Number of supplier switches	Total number of supply points	Switching (%)
High demand	979	449	1,636	27.4
Medium-sized demand	2,951	3,061	6,958	44.0
Low demand	27,829	29,091	201,188	14.5
Households	316,297	264,680	2,649,092	10.0
Total	348,056	297,281	2,858,874	10.4

Note: Switching – ratio of the number of gas supplier switches per year and the total number of supply points in that year

Chart 10 Annual gas supplier switches in the household category



The wholesale market

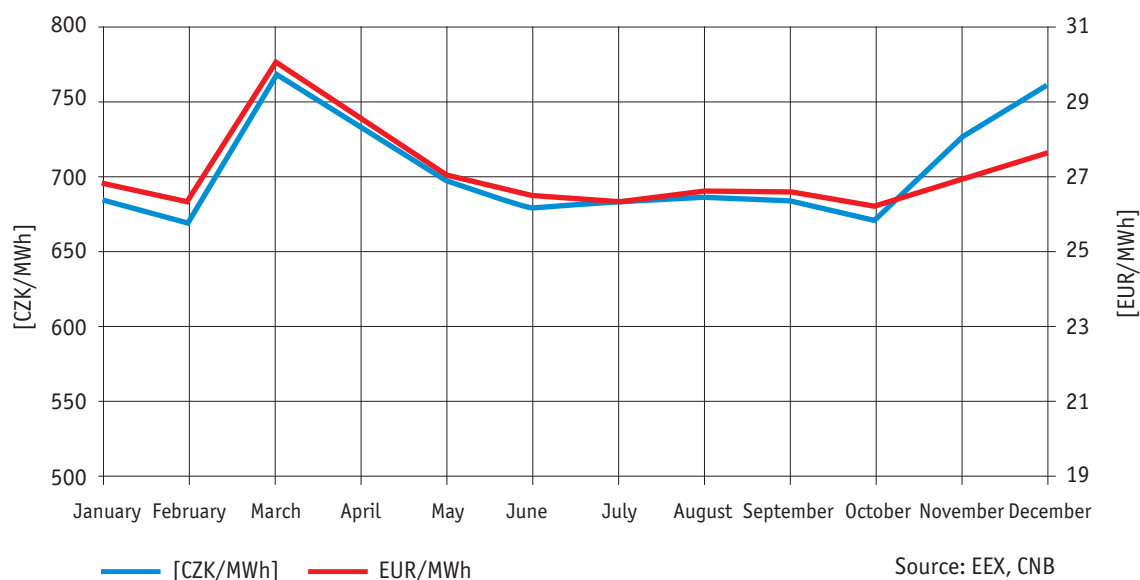
In 2013, more than one half of gas supply was provided under long-term contracts with Russian and Norwegian producers. Long-term contracts originated in the 1970s; the motivation was to ensure financing for the gas pipelines being developed. Under long-term contracts the gas price was derived from the prices of competing fuels, at that time fuel oils and coal. At present, when increasing shares of gas are bought at energy exchanges, gas price indexation to oil product and coal prices is not appropriate as it does not sufficiently reflect the situation on the gas market. Gas producers and exporters are therefore moving away from these price formulae and reflect now the movements of commodity prices at energy exchanges in their price formulae. The long-term contracts under which Gazprom Export supplies gas to some traders in the Czech Republic have also been adjusted in this way.

Gas is also bought at spot markets organised by energy exchanges for the current or the following day. Gas can also be bought with the help of futures, whereby the supply of the agreed fixed gas quantity is offered, usually for one month, one quarter, the season or the full year.

Since gas bought under long-term contracts or at energy exchanges is denominated in EUR/MWh or USD/MWh, the resulting price for Czech consumers is also influenced by the CZK/EUR and CZK/USD rates.

Marginal gas quantities come from indigenous production in the Czech Republic; the procurement costs may be much lower than in the case of other ways of gas purchase. However, the quantity of indigenous gas is not too important and does not have any major impact on price in the Czech wholesale and retail gas markets.

Chart 11 Average gas prices at NCG in 2013



Pricing

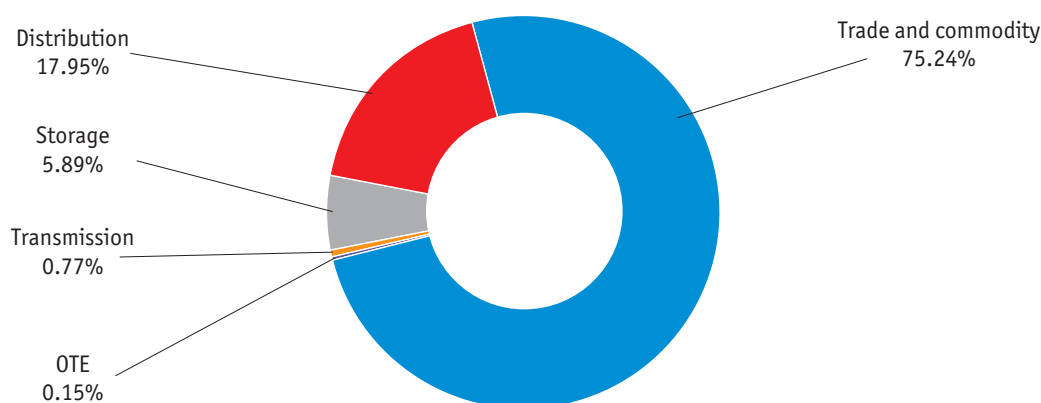
Under the Energy Act, the Office controls prices for gas transmission and distribution, for the market operator's services, and for the supplier of last resort. The Office is not, however, authorised to control prices for the services of gas supply by gas traders (entities carrying on business under gas trade licences), and the Office does not set prices for gas storage.

In 2013, the Office's important activity was the drafting and promulgating of its price decisions for 2014: ERO Price Decision No 3/2013 of 27 November 2013, on regulated prices related to gas supply.

The algorithm for calculating regulated prices in the gas industry for gas transmission and distribution and for the market operator's services is based on public notice no. 140/2009 on regulatory methods in the energy industries and procedures for price control, as amended, and is also described in detail in the ERO's Final Report on the Regulatory Methodology for the Third Regulatory Period, which is available on Office's website.

The price decision on regulated prices related to gas supply also contains a link to the products offered at European Energy Exchange AG (EEX). In view of the announcement of European Energy Exchange AG (EEX) in late 2013, of combining 10MW and 1MW products on the NCG intra-day spot market, this change had to be reflected so as to ensure the operability of certain provisions of the ERO price decision. On 12 December 2013, ERO Price Decision No 7/2013 was therefore issued to update some points of its preceding price decision 3/2013.

Chart 12 Structure of the average gas supply price for household customers in 2013 (net of tax items)



3.2.1.1 Controlled parts of the gas supply price

Gas transmission charges

The transmission system operator's operation is the first link in the chain of operations to deliver gas to customers' supply points. Transmission charges, which are based on an allocation of allowed revenues, are double-component charges composed of a fixed component for booked transmission capacity and a variable component for transported gas quantity. The transmission system operator's revenues related to gas supply to customers in the Czech Republic have been integrated into the gas distribution charge.

For 2014, the transmission system operator's allowed revenues have dropped by 9.9 per cent. One of the reasons is the value of the correction factor, which represents the difference between the planned and actual revenues from transmission in the period under review, in this case for 2012. Due to a higher use of the entry border points of the transmission system than had been planned, the transmission system operator collected funds that it returned to the market through the correction factor. However, the correction factor was lower than in the preceding years because of the lower use of the points of entry and exit into/from the virtual gas storage facilities; the demand for storage services is declining, and this trend is visible throughout the EU.

A major factor that influences allowed revenues is the amount of the costs incurred in the provision of the flexibility service, one of the instruments, provided for in legislation, for continuously balancing the gas system. Since 2010, this service has been procured under public contracts. The Office participated in the entire process for selecting the flexibility service provider for 2014, as a member of the evaluation committee. Compared with the preceding year, the public tendering helped to reduce the price for flexibility service provision significantly, by 52 per cent. The Office deems it necessary, however, to emphasise that in no case can the reduction in the price be taken into account in estimating the result of public tendering in the following year.

In setting the charges for the use of the transmission system's entry points on the national borders the Office proceeded in line with its objective, stated earlier, of encouraging gas imports into the Czech Republic, and kept them at the same level as in the preceding year. Similarly, the 2014 tariffs for gas transport into/from gas storage facilities stayed at the 2013 level. The variable parts of the charges have been set, with the help of a coefficient, with a view to covering the transmission system operator's fuel gas consumption at compressor stations, which are needed for controlling pressure in the network and smooth supply to customers.

At the exit points on the national borders, with the exception of the Lanžhot border point, the fixed components of the charge were kept at the 2013 level for 2014. In the case of the Lanžhot border point, the fixed charge for long-term transmission capacity booking was reduced by 12.8 per cent with a view to promoting the long-term use of the transmission system.

Gas distribution charges

Gas distribution means gas transport to the customers' supply points over the distribution system serving the respective area. The regulated gas distribution charge is, in most cases, a double-component charge.

The variable component of the distribution charge is stated in CZK/MWh, and it therefore depends on the amount of energy taken in gas.

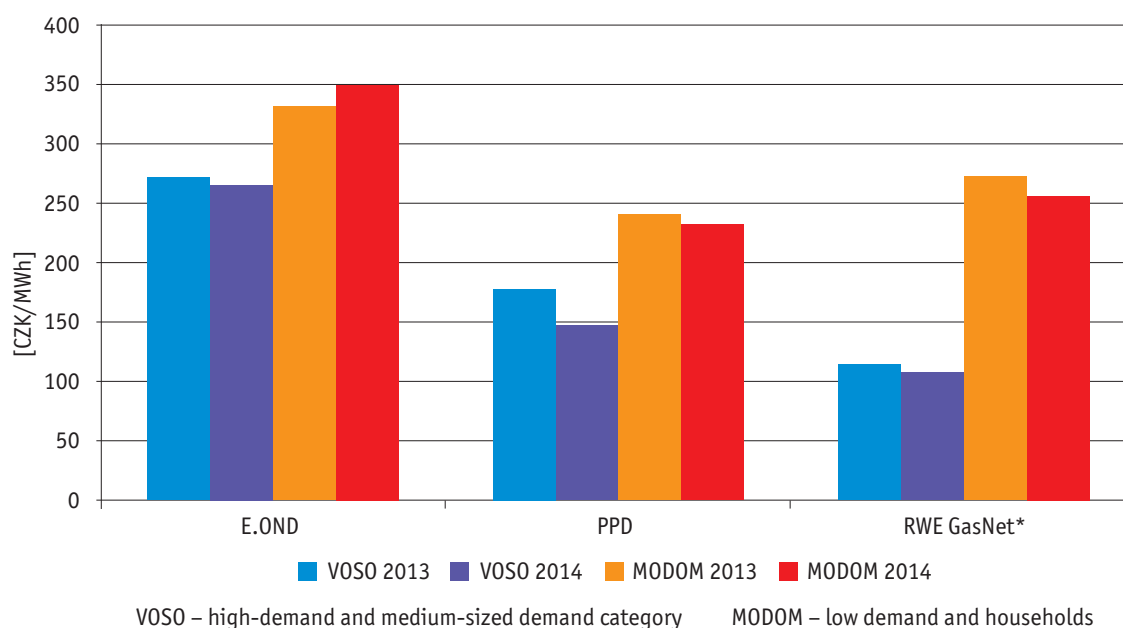
For customers in the low demand and household categories, whose annual gas demand does not exceed 63 MWh, the fixed component of the charge is determined in the form of the standing monthly charge for available capacity, in CZK/month. Customers in the low demand and household categories whose annual gas demand exceeds 63 MWh pay the fixed component of the price through the fixed charge for daily booked distribution capacity, in CZK/1,000 cu m. The fixed component of the charge for customers in the high and medium-sized demand categories is determined for each supply point individually using a logarithmic formula depending on the sum of daily booked capacities.

Compared with 2013, the average charge for gas distribution, including gas transmission for Czech customers, decreased for all customer categories in the Czech Republic by 5.75 per cent for 2014.

Average distribution charges, which also include transport to the domestic point, decreased for most of the DSOs both in the high demand and medium-sized demand categories (VOSO) and the low demand and household customer categories (MODOM) in 2013. The only DSO that reports a year-on-year growth (2014/2013) in the average gas distribution charge inclusive of transmission, for MODOM customers, is E.ON Distribuce, a.s. This increase is mainly due to the higher value of adjusted allowed revenues and also the decline in the planned technical units (distributed quantity). With regard to the structure and condition of the distribution system of E.ON Distribuce, a.s., a smaller number of customers with lower demand contributed the payments going to the increased allowed revenues (i.e. funds eligible for distribution system operation).

Chart 13 compares the DSOs' average gas distribution charges between the regulated years 2013 and 2014. The comparison should be based on an assumption that the distributed quantities are the same in both years for the comparison to be correct.

Chart 13 Comparison of distribution charges between 2013 and 2014, by distribution system operator



* prices for RWE GasNet, s.r.o., for 2013 are based on figures applicable to the company before the merger

The merger of the DSOs in the RWE Group heavily influenced the calculation of the regulated prices for 2014. Because of the merger, the unified prices for the merged companies in the RWE Group were adjusted to make it possible to compare them with the level in 2013. The levels applicable to each of the companies before the merger were used for determining the average gas distribution charge, inclusive of transmission, in 2013 for RWE GasNet, s.r.o. to enable the comparison of average prices in Chart 13.

On the basis of the submitted values, which the Office requested from DSOs, in 2013 the Office analysed and evaluated the use, in 2012, of the products and tariffs set out in the price decision. The analysed products included the single-component distribution charge, which is intended mainly for customers with a markedly seasonal nature of load, and the booking of daily firm distribution capacity for an unspecified period of time to the extent of the historical maximum daily gas offtake achieved in the relevant period, which is intended for customers who do not or cannot work with a combination of an annual capacity and short-term capacities and want to avoid the consequences of exceeding the agreed booked capacity. The Office also evaluated the extent to which short-term distribution contracts were used, i.e. monthly or sliding distribution capacities. Judging by the results of data evaluation, the above products were used, and their existence was warranted. The Office therefore kept these products in its price decision applicable to 2014.

The price decision for 2013 again allowed customers taking more than 630 MWh per year and with monthly readings of consumption to use the single-component gas distribution charge. This rate is, however, only suitable for supply points with a very specific one-time nature of demand, when gas is taken for only several tens of days in a year. Such supply points may include, e.g., back-up boilers. Another rate with a single-component distribution charges is also used as one of the ways to promote cleaner technologies in transport. The rate can be used by customers at whose supply point a CNG refuelling station is installed and who meet the conditions for this rate, which are set out in the price decision.

Charge for the market operator's services

The holder of the exclusive market operation licence for the Czech Republic is OTE, a.s. The market operator has been working in the gas industry since 2010. The charges for the market operator's services are subject to control by the Office and are set out in a price decision every year. The following services provided by OTE, a.s. are subject to a charge: activities related to clearing, provision of actual values to gas market participants, and organisation of the spot gas market.

The charge for the provision of actual consumption values to gas market participants is paid by the registered gas market participants who use the actual consumption values for billing. The charge for the traded gas quantity is related to the organisation of the spot gas market, and this charge is paid by cleared entities that have in place an imbalance clearing agreement through which they are granted access to the organised spot gas market.

Three charges are associated with the clearing carried out by the market operator: the charge for the registration of cleared entities, in CZK, which is paid by cleared entities on a one-off basis; a fixed charge for the clearing service, which is paid by registered cleared entities; and the fixed charge for clearing, the level of which depends on the gas quantity consumed. Customers, gas producers, and the gas TSO, SSOs and DSOs are the payers of the fixed clearing charge.

As of 1 January 2014, the fixed charge for clearing is CZK 2.13/MWh; this charge already includes a special fee for the Office's activities under Section 17d of the Energy Act, set at CZK 1/MWh of consumed gas. The charge for clearing by the market operator decreased for 2014 compared with the price applicable in 2013, when it was set at CZK 2.16/MWh. The reason for the cut is mainly the higher planned quantity of gas supplied to supply points.

Other charges for the market operator's services contained in the Office's price decisions have remained at the 2013 level for 2014.

Price for the supplier of last resort

The service of the supplier of last resort in the gas industry is provided by traders of E.ON Energie, a.s., Pražská plynárenská, a.s. and RWE Energie, s.r.o. in areas delineated in the Energy Act. Suppliers of last resort supply gas for no more than six months to customers with a consumption of up to 60,000 cu m for the preceding twelve months, whose supplier lost the ability to supply gas.

The Office sets the prices for gas supply of last resort by way of cost-plus pricing. In 2013, no case occurred where customers' supply points had to be transferred to the mode of last resort.

3.2.1.2 Uncontrolled parts of the gas supply price

The Office does not regulate the part of the price, which is formed through competition and market principles in a competitive environment. The uncontrolled prices therefore include the business charge and the charge for supply structuring and flexibility.

Business charge

The business charge mainly reflects the costs incurred in gas procurement and also the trader's margin. Traders' price quotations therefore depend to a large extent on the costs for which they are able to buy gas. Traders devise the specific structure of their product series, services and price lists, i.e. the price for the gas taken and the standing monthly charge related to gas supply, or the price for booked capacity, on the basis of their business model and the situation on the liberalised gas market.

In 2013, the price of gas supply tended to decline slightly. Most of the dominant gas suppliers cut their prices during the course of the year, to which the competing traders also responded.

Gas supply prices for households

As the result of a slight decline in the prices of the gas imported into the Czech Republic and agreement between some foreign gas importers with Czech traders, the uncontrolled prices of gas supply for household customers decreased by approximately nine per cent during the year. However, this price decrease only concerned the customers who had not fixed their gas supply price at an unchanging value in the preceding period.

According to Eurostat (statistical office of the European Union), the average final price of gas supply for households in the D2 band (i.e. annual demand ranging from 5.6 to 55.6 MWh) amounted to CZK 1,362.05/MWh (at CZK 25.699/EUR). This amount does not include tax items.

In 2013, the price of gas supply for the household category accounted for approximately 75 per cent of the overall price for the bundled gas supply service.

3.2.2 Assessment of the development plan for the gas transmission system

The TSO's obligation to prepare, on an annual basis, a ten-year plan for the development of the gas transmission system in the Czech Republic ("the Development Plan") is based on the implementation of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009, concerning common rules for the internal market in natural gas, repealing Directive 2003/55/EC, 'the third energy package', into the Energy Act. The particulars that the Development Plan must contain are laid down in Section 58k of the Energy Act.

The TSO is obliged to prepare this document and submit it for approval every year. The approval of the proposed Development Plan falls within the competences of the Office, which relies in its decision on an evaluation of the compatibility of the national Development Plan with the Community-wide network development plan, taking into account the comments received from the consultation process, with a view to identifying and then implementing all the projects that are required for the development and safe operation of the gas transmission system.

The purpose of the Development Plan is to inform the market participants about the planned investments intended to reinforce the capacities in the Czech gas transmission system and to assess the ability of this system to meet the gas market's requirements.

NET4GAS, s.r.o., as the Czech TSO, met the Energy Act's requirements and on 31 October 2013 submitted its Development Plan for 2014-2023.

The plan sets out three types of projects:

- Projects completed in 2012 and 2013 under the preceding development plan for the gas transmission system;
- Projects with a final investment decision adopted by 30 June 2013;
- Planned projects, i.e. those for which an investment decision is expected.

The company submitted its Development Plan to the Office by the required date. The Office posted the plan on its website and invited market participants to provide comments. The transmission system operator prepared the Development Plan submitted in 2013 on the basis of inputs from natural gas producers, operators of gas storage facilities, the market operator, distribution system operators, and its own inputs. This ten-year Development Plan outlines the TSO's forecast of the development of demand, which it further analyses, and the development of the adequacy of the entry/exit capacity of the domestic zone in the Czech Republic for 2014 to 2023. On the basis of the results of analyses, the TSO proposed modifications to the ten-year development plan from the preceding year. In preparing the Development Plan in 2013, the TSO proceeded from the historical and foreseeable gas supply and demand in the future.

To obtain the relevant data, the TSO analysed the evolution of gas consumption in the Czech Republic, and gas production, supply, and import and export, taking into account investment plans of the operators of the distribution systems connected to the transmission system and those of SSOs, investors' plans for the connection of new combined cycle units, and the Community-wide network development plan. Each of the investment plans was examined from the perspective of ensuring the safe operation of the gas system and gas supply reliability, and also from the perspective of environmental impacts, technologies, and economic effectiveness.

The completed capital projects include the connection of the Bečov combined cycle plant (Počerady). In 2013, the TSO commissioned a new high-pressure DN 1000 gas pipeline between the Břeclav compression station and the Tvrdonice UGS facility, thereby significantly enhancing security of supply and overall continuity of gas transmission.

SSOs are planning five projects with a view to increasing and extending the current storage capacities in the UGS facilities. The new storage capacities, resulting in higher capacities at the points in the transmission system, will be gradually connected to the transmission system. As regards the connection of storage capacities to the transmission system, another project envisages export from the expanded storage capacities in the Uhřice II underground gas storage facility and the Dambořice facility operated by MND Gas Storage a.s.

Compared with the development plan submitted in 2012, the date planned for completing the connection of RWE GasNet's distribution system to the transmission system has been moved; the purpose is to increase the exit capacity into the domestic zone. The commissioning date is not yet known.

The planned investment decisions include the project for the Moravia gas pipeline, expected to be put on stream in 2018. The objectives of the project include the provision of exit capacity for northern Moravia, where the existing system had not been designed for further expansion, and boosting the reliability of gas transmission and security of gas supply in the Czech Republic, primarily in northern and central Moravia, mainly by reinforcing the capacities for gas injection into and withdrawal from the transmission system. It also covers the connection of new gas-fired power stations and CHP plants and large industrial companies. Following the completion of the STORK II project, Moravia will also partly serve for gas supply as part of the north-to-south gas interconnection to central-eastern and south-eastern European countries.

With a view to enhancing security of gas supply in central Europe and diversifying sources, in 2013 the key project was the Gazelle high-pressure gas pipeline, which was connected to the NET4GAS transmission system. Together with Nord Stream and OPAL, Gazelle forms the so-called North Route for Russian natural gas flowing to Europe.

Additional projects conducive to reinforcements in cross-border capacities are at the stage of expected investment decisions. These currently include, in particular, the development of the new STORK II gas pipeline to interconnect the Czech and Polish transmission systems. An interconnection between the Czech transmission system and the border transfer point at Oberkappel on the German-Austrian national border and an interconnection between the Czech and Austrian transmission systems via the BACI ('Bidirectional Austria Czech Interconnection') gas pipeline running to Lanžhot and Baumgarten are also planned. NET4GAS, s.r.o. submitted all of these projects as projects of common interest (PCI). As part of the evaluation process, they were included in the EU PCI list which is part of Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009.

On the basis of the data and contexts contained in the document, agreement can be expressed with the published conclusion that the existing transmission system, including the forthcoming investment projects, has sufficient entry capacity to meet the maximum daily demand in the Czech Republic for the ten-year period covered by the plan.

On the basis of all of the above, the Office found the ten-year development plan 2014-2023 submitted in 2013 to be complete and free of defects and in compliance with the Community-wide network development plan, and approved the ten-year Development Plan with the exception of Point 14 Disclaimer, which is incongruent with a ten-year plan for the development of the gas transmission system under Section 58k of the Energy Act in terms of both substance and content.

Gas storage prices

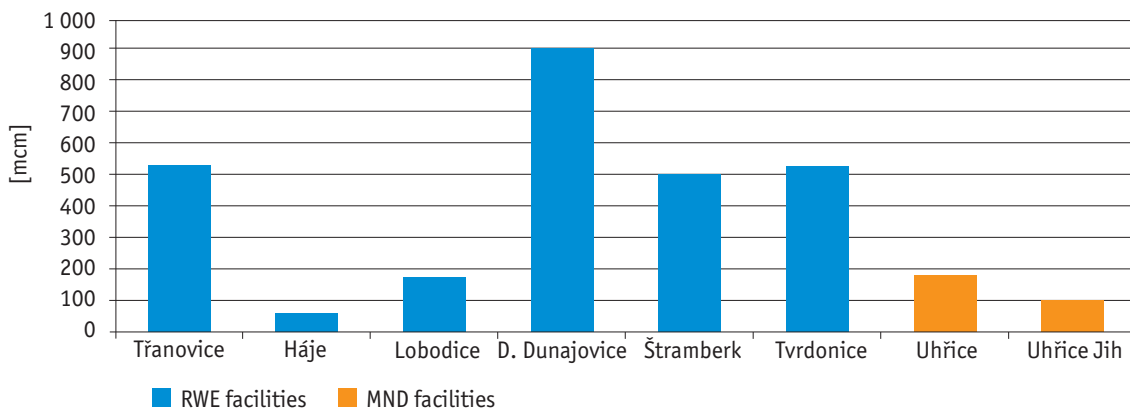
Storage capacities in Czech UGS facilities were not used to the full in 2013. Compared with 2012, traders injected smaller volumes into the facilities, although the storage capacity had been sold. One cause was the extension of the withdrawal season in 2013 because of a longer winter. Injection therefore started later. Before the heating season, at the end of September 2013, RWE Gas Storage's UGS facilities were filled to 90 per cent of capacity. RWE Gas Storage made use of the favourable weather in the latter half of 2013 and extended the injection seasons until the end of October 2013. This measure in the end helped to fill UGS facilities to approximately 94 per cent of capacity. An equally important cause was traders' lack of demand for storage services due to abundant gas offerings on spot markets. This oversupply, which compressed prices as a result of the free market principles, made it possible for traders to buy gas for prices comparable with summer prices even in the winter months of 2013.

In 2013, SSOs called ten auctions to sell their storage capacity for subsequent storage years. RWE Gas Storage, s.r.o. organised nine auctions of a total annual capacity of 40.9 mcm. MND Gas Storage a.s. called one auction for 4.3 mcm. The opening bids were very low due to the low prices on spot markets. This situation can be viewed positively from the perspective of gas traders and, naturally, final customers.

On 16 July 2013, Globula a.s. (now Moravia Gas Storage a.s.) allocated, on the basis of a successful auction and in line with the Capacity Allocation and Management Rules, 90 per cent of the storage capacity in the Dambořice UGS facility under construction to Gazprom Export. The capacity was allocated for 15 years beginning 1 July 2016. The total capacity is 448 mcm, with a maximum withdrawal rate of 7 mcm/day and a maximum injection rate of 4 mcm/day.

On 1 November 2012, public notice no. 344/2012 of 10 October 2012, on emergencies in the gas industry and methods of providing for the security standard of gas supply, came into effect. Every trader who supplies gas to protected customers – households, food producers, health institutions etc. – is obliged to provide for the security standard. The security standard of gas supply is applicable for periods from 30 September to 1 April of the respective year. At least 20 per cent of the value of the security standard must be covered by storing gas in gas storage facilities in the Czech Republic or elsewhere in the EU. The above public notice lays down the method for calculating the level of the security standard.

Chart 14 Comparison of storage capacities in UGS facilities



The working volume of UGS facilities in the Czech Republic totals 2.976 bcm.

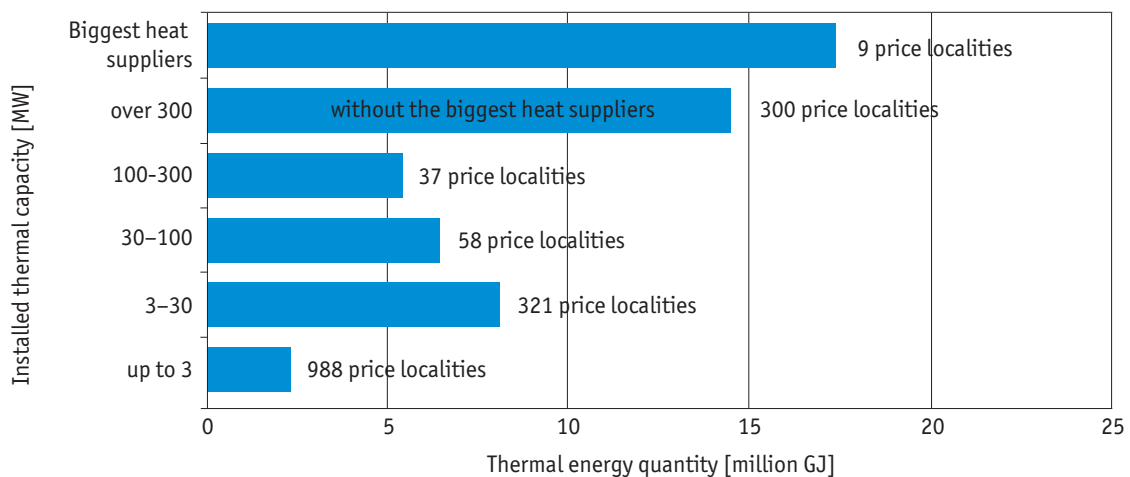
3.3 The heating industry

3.3.1 Market description

The Czech Republic is one of the countries that have a large proportion of district heating systems. District heating systems meet a considerable portion of heat demand, both in the household segment and of various business and non-business entities. The heat supply industry is a highly diversified industry in terms of the way of thermal energy generation, the size of the heat generating installations and also the size of the various heat supply companies and it supports efficient use of primary energy and integration of renewable energy sources in urban areas. Heat supply is usually intended for a certain region or locality, and the technology for heat generation and distribution frequently reflects the specific conditions of the particular locality.

In general, district heating systems have the nature of natural local monopolies and under Act No 458/2000 (the Energy Act) thermal energy is supplied in the public interest. Thermal energy prices are therefore subject to regulation, applying the cost-plus method. The Office has been determining the binding conditions for calculating and negotiating thermal energy prices since 2001.

Chart 15 Thermal energy quantity supplied to final customers by installed capacity of plants supplying heat, and the number of price localities



3.3.2 Thermal energy price control

The Office lays down the conditions for calculating and negotiating cost-plus prices in its price decisions on thermal energy prices. ERO Price Decision 2/2012 of 25 October 2012 applied to thermal energy prices in 2013. Thus, the Office does not directly set or approve the level of these prices in the various price localities. Cost control methods in the heating industry make it possible to reflect all the technical and other specific conditions for thermal energy generation and distribution and the technology used for obtaining and using thermal energy, and thermal energy prices may therefore significantly differ in the various localities.

The thermal energy price may only reflect the economically justifiable costs necessarily incurred in thermal energy production and distribution, reasonable profit, and VAT. The conditions for calculating and negotiating thermal energy prices apply to all supplies of thermal energy. Thermal energy generation and distribution should help to streamline costs and boost efficiency and economy. Setting the conditions for calculating and negotiating thermal energy prices provides support in the case of inspections of the heat prices charged, and also in dispute resolution.

3.3.3 Examination and evaluation of thermal energy prices

In 2013, the Office examined a large number of thermal energy prices on its own motion and also upon receipt of customers' complaints and notifications, in the case of disputes over price levels between suppliers and customers, and also when it prepared overviews of thermal energy prices. The Office examines thermal energy prices on a case-by-case basis, taking into account the specific factors of generation and distribution in each particular price locality. Checks mainly focus on compliance with the conditions in the case of higher heat prices. Where shortcomings are identified in the calculation or charging of thermal energy prices, the supplier is requested to remedy the situation, failing which, the complaint is escalated and a price inspection is requested.

The Office compares thermal energy prices and identifies the long-term customary levels of each of the economically justifiable costs and of profit on the basis of the data in the regulatory reports that thermal energy generation and distribution licence holders prepare under public notice no. 59/2012 on regulatory reporting, and return to the Office every year. The reports contain technical and economic information on the basis of which the Office prepares overviews of the resulting thermal energy prices, evaluates the development of prices, monitors the impacts of price controls and thermal energy generation and distribution licence holders' financial stability and identifies the customary levels of costs and profit for each of the categories of thermal energy generation and distribution. Data from regulatory reports is also used, for example, in the case of price inspections, administrative proceedings or in addressing various suggestions and complaints received from customers.

3.3.4 Development of thermal energy prices

The Office has been processing and evaluating the development of thermal energy prices since 2001. Chart 16 shows the development of average resulting thermal energy prices for final customers (supplied to the heat consuming equipment) between 2001 and 2012, and the preliminary thermal energy prices on 1 January 2013. Average prices for each of the years are calculated as a weighted average, where the quantity of thermal energy generated from coal or other fuels (largely natural gas and fuel oils) is the weight. In the period under review, thermal energy produced from coal shows a gradual and more even growth in the average price. Thermal energy from other fuels displays a high year-on-year growth in prices in 2005, 2006, 2008 and 2012. The development of thermal energy prices is primarily influenced by fuel price changes and shrinking heat supply. The thermal energy prices were also heavily influenced by the rise in the VAT rate, the imposition of the environmental tax and the required purchase of emission allowances. For the period under review (12 years), the average price of thermal energy produced from coal for final customers increased by CZK 233.44/GJ, i.e. approximately by 78.6 per cent, and the price of thermal energy produced from other fuels increased by CZK 271.77/GJ, i.e. some 79.4 per cent.

Chart 16 Average thermal energy prices for final customers between 2001 and 2012 and on 1 January 2013 (including VAT)

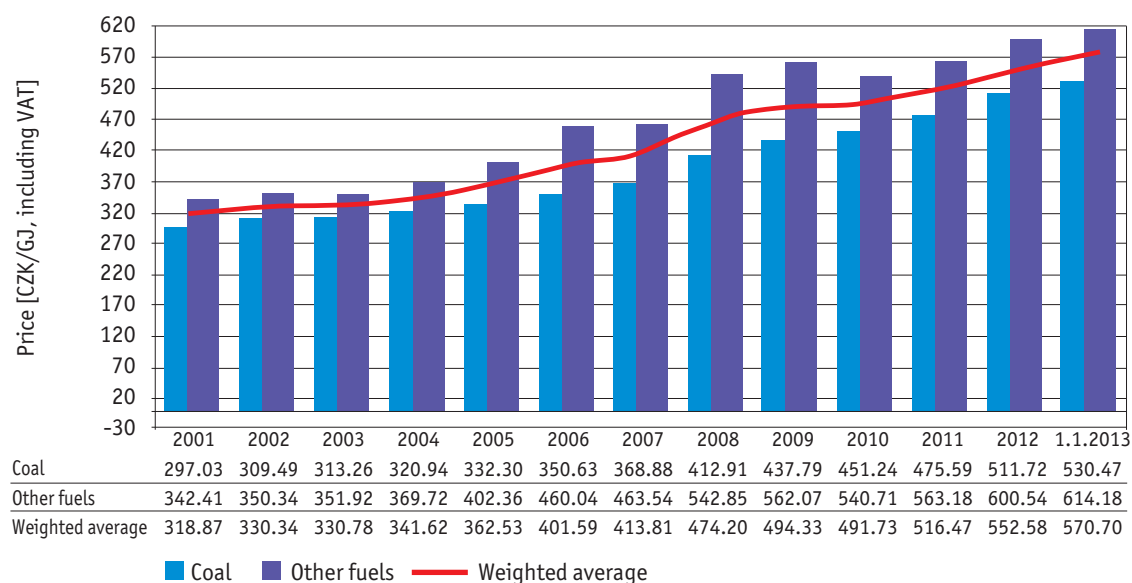


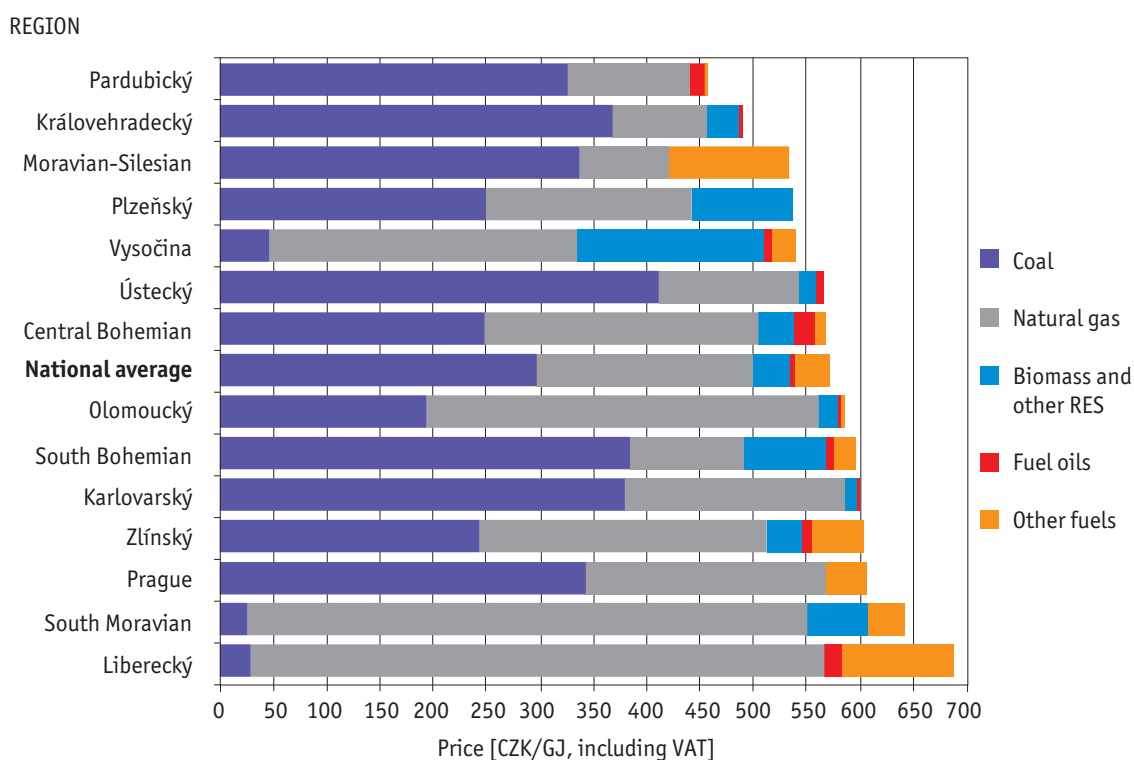
Table 3 shows average thermal energy prices for final customers for each of the regions as at 1 January 2013, together with the percentages of the fuels used in thermal energy generation. The lowest prices are in regions with large coal-fired combined heat and power generation capacities and with extensive district heating systems. On the other hand, the highest average prices of thermal energy for final customers are charged by smaller heating systems that use the other fuels to a larger extent and, possibly, primary distribution systems based on steam.

Table 3 Average prices of thermal energy (including VAT) for final customers as at 1 January 2013 by regions

As at 1 January 2013			
Region	Average preliminary price of thermal energy [CZK/GJ, incl. VAT]	Coal percentage [%]	Percentage of other fuels [%]
Pardubický	450.61	74.44	25.56
Královéhradecký	497.54	72.84	27.16
Plzeňský	536.33	46.11	53.89
Moravian-Silesian	533.87	63.01	36.99
Vysočina	537.98	8.56	91.44
Ústecký	564.79	72.68	27.32
Central Bohemian	567.64	51.52	48.48
Olomoucký	585.08	33.02	66.98
South Bohemian	594.12	64.58	35.42
Karlovarský	599.38	63.19	36.81
Prague	606.53	56.70	43.30
Zlínský	602.43	40.36	59.64
South Moravian	641.31	4.08	95.92
Liberecký	687.69	4.02	95.98
National average	570.69	51.94	48.06

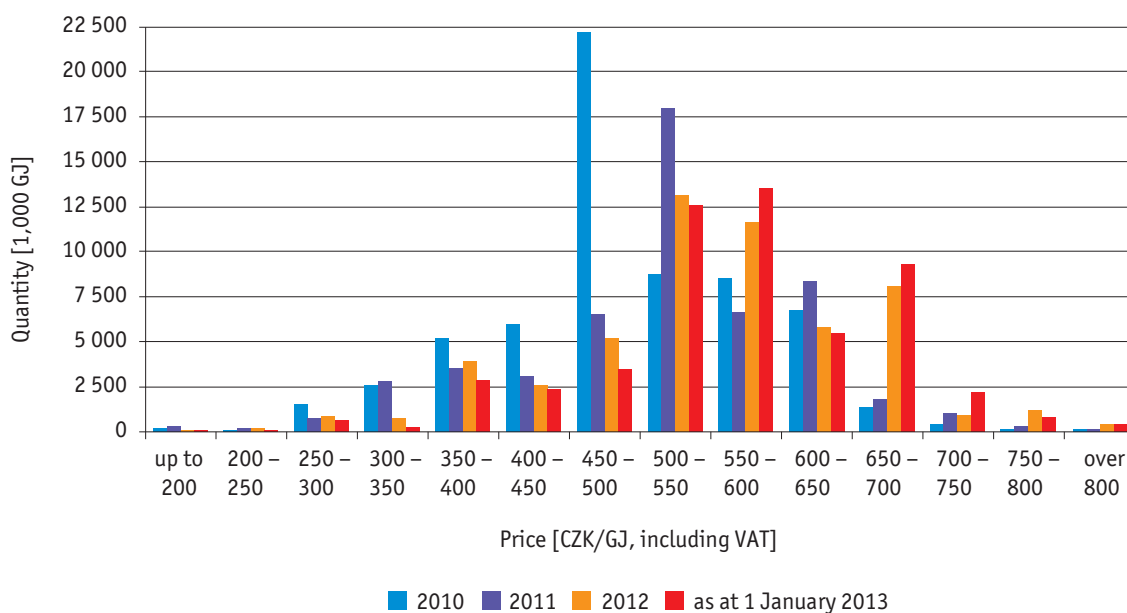
It is apparent from Chart 17 that in the regions where the largest proportion of coal is used for heat production (the Pardubický, Královéhradecký and Plzeňský Regions) the thermal energy price is the lowest, while in regions with a significant predominance of other fuels, in this case natural gas and fuel oils (the South Moravian and Liberecký Regions), the thermal energy price is the highest. In these two regions, the high prices are also attributable to the fact that steam is used in the primary distribution systems as the heat carrying utility, which results in larger heat losses. In the Vysočina Region, the favourable price of thermal energy is attributable to the large share of biomass for producing thermal energy.

Chart 17 Average preliminary prices of thermal energy (including VAT) for final customers as at 1 January 2013 and percentages of fuels, by regions



The shifting of supplied thermal energy quantities to higher price ranges due to increasing thermal energy prices is apparent from Chart 18. Thermal energy supplied to final consumers for low, or, on the contrary, high prices make up only small percentages of overall supply.

Chart 18 Price ranges with the respective thermal energy quantity supplied to final customers from 2010 to 2012 and as at 1 January 2013



In recent years, thermal energy prices have been rising mainly due to the rising prices of primary energies, changes in the tax system and the required purchase of emission allowances. In order to maintain stable and competitive thermal energy supply from district heating systems, emphasis should be placed on modernising and retrofitting the existing district heating systems, on improving the efficiency and economy of thermal energy production and distribution, optimising the operation of these systems, promoting high efficiency technologies, and enhancing flexibility in fuel use, and on the regional development of district heating systems and transparency of thermal energy prices.

3.4 Licensing policy and its development

The number of applications for the award or change of licences for renewable electricity generation, in particular up to 30 kW photovoltaic plants installed on roofs of building, peaked two times in 2013. Both of the peaks occurred before the amount of support was reduced. The total number of new POZE operations is 6,126, and photovoltaic plants constitute the largest portion of the increase, specifically 6,031 new operations. In 2013, the Office received a total of 7,861 applications, down by about 23 per cent on 2012. At the end of 2013, the installed capacity of RES operations totalled 5,881.181 MW. Of this, photovoltaic had 2,125.91 MW.

The number of applications for the recognition of business authorisations for trade in electricity and gas granted by the competent authority of another EU member state slightly increased last year. In the heating industry, the number of applications, mainly occasioned by technology changes, asset transfer or capacity decentralisation, was approximately the same as in 2012.

Table 4 Numbers of valid licences between 2005 and 2013 by object of business

Licences	2005	2006	2007	2008	2009	2010	2011	2012	2013
Electricity generation	1,407	1,467	1,702	2,989	7,223	13,301	13,530	20,843	26,021
Electricity distribution	321	282	281	281	281	300	307	315	319
Electricity trade	274	285	293	310	312	321	353	360	389
Foreign authorisations for electricity trade	-	-	-	-	-	-	1	4	12
Gas production	14	13	13	14	15	15	15	15	15
Gas distribution	124	103	99	92	87	87	86	83	78
Gas trade	69	83	85	103	105	122	143	172	196
Foreign authorisations for gas trade	-	-	-	-	-	-	1	2	9
Gas storage	4	4	4	4	4	4	4	4	4
Thermal energy generation	689	674	672	655	641	627	619	627	656
Thermal energy distribution	737	721	719	699	689	675	663	653	653
Total	3,639	3,632	3,868	5,147	9,357	15,452	15,720	23,075	28,367

In 2013, the Office issued 5,698 new decisions awarding licences for all energy industries. In addition, 1,809 administrative proceedings were conducted on licence amendments in relation to changes of responsible representatives, changes in installed capacity and changed numbers of operations. The number of applications related to mergers or division of enterprises and transfer of installations to new entities also increased very much. Installations were also frequently transferred to a different licence holder (in particular photovoltaic plants), mainly between family members and natural and juristic persons. In respect of licences for electricity and thermal energy distribution, the changes mainly related to a reduction or expansion of the delineated area served. The number of received applications for licence revocation increased by 34 per cent; here, administrative proceedings were most frequently initiated by licence holders. Table 5 lists the number of administrative proceedings on licence award, change and revocation.

Table 5 Number of licensing proceedings between 2005 and 2013 (by purpose)

Licence proceedings	2005	2006	2007	2008	2009	2010	2011	2012	2013
New licences	372	413	540	1,420	5,159	6,997	560	8,051	5,698
Licence changes	495	542	504	598	1,154	1,708	1,029	2,032	1,809
Revoked licences	228	229	174	163	204	264	264	264	354

As regards renewables, last year saw a slight increase in the number of applications for licences for electricity production at small hydroelectric power stations and plants with a share of biogas; see Table 6.

Table 6 Number of electricity generating operations and installed capacities, between 2007 and 2013, by type of renewable energy used

Operations		2007	2008	2009	2010	2011	2012	2013
Hydro	Number	1,351	1,354	1,369	1,397	1,420	1,451	1,500
	Capacity [up to 1 MW]	128.18	131.56	135.39	140.25	141.77	148.075	154.231
Wind	Number	69	77	85	93	95	105	112
	Capacity [MW]	117.52	149.71	192.86	214.78	217.92	261.98	269.36
Solar	Number	249	1,475	6,032	12,861	13,019	21,925	27,956
	Capacity [MW]	3.4	65.74	462.92	1,952.70	1,952.70	2,072.07	2,125.91
Biogas	Number	83	115	157	180	264	415	430
	Capacity [MW]	31.68	51.24	80.1	103.02	167.97	306.042	333.68
Landfill gas	Number	53	58	62	61	63	66	70
	Capacity [MW]	20.76	21.94	23.18	22.63	56.5	57.195	58.67
With a biogas share	Number	39	38	48	56	63	74	94
	Capacity [MW]	1,995.11	1,947.40	2,041.00	1,676.37	1,617.64	1,783.11	2,939.33

The list of licence holders is updated on a quarterly basis on the Office's website by licence group. On the website, a web application helps to find information about specific licence holders. Subject to electricity and gas traders' consent, their contact details are published to facilitate the search for potential electricity and gas suppliers.

3.4.1 Recognition of professional qualifications

In 2013, the Office did not decide in any administrative proceedings on the recognition of professional qualifications within the meaning of Act No 18/2004 on the recognition of professional qualifications, as amended. In this respect, continuous and long-term cooperation with the national coordinator, Ministry of Education, Youth and Sports of the Czech Republic, is under way. The Office is involved in a project for an information system of the internal market (IMI) for effective administrative co-operation and mutual communication between the EU member states' recognition authorities.

3.4.2 The Energy Regulatory Fund

Under Section 14(10) of the Energy Act, the Office is required to submit an audit of the fund for the respective calendar year. Complying, the Office had the fund audited under the audit guidelines issued by the Chamber of Auditors of the Czech Republic. According to the auditor's report the books of the fund were maintained in accordance with the applicable legislation and truly and fairly reflected its situation for the accounting period of 2013, see Appendix 2.

As at 31 December 2012, the opening balance in the Energy Regulatory Fund stood at **CZK 45,443,010**. In 2013, no amount was paid from the fund's account in compensation for a conclusive loss from activity over and above a licence. In 2013, its income included two amounts of late charges.

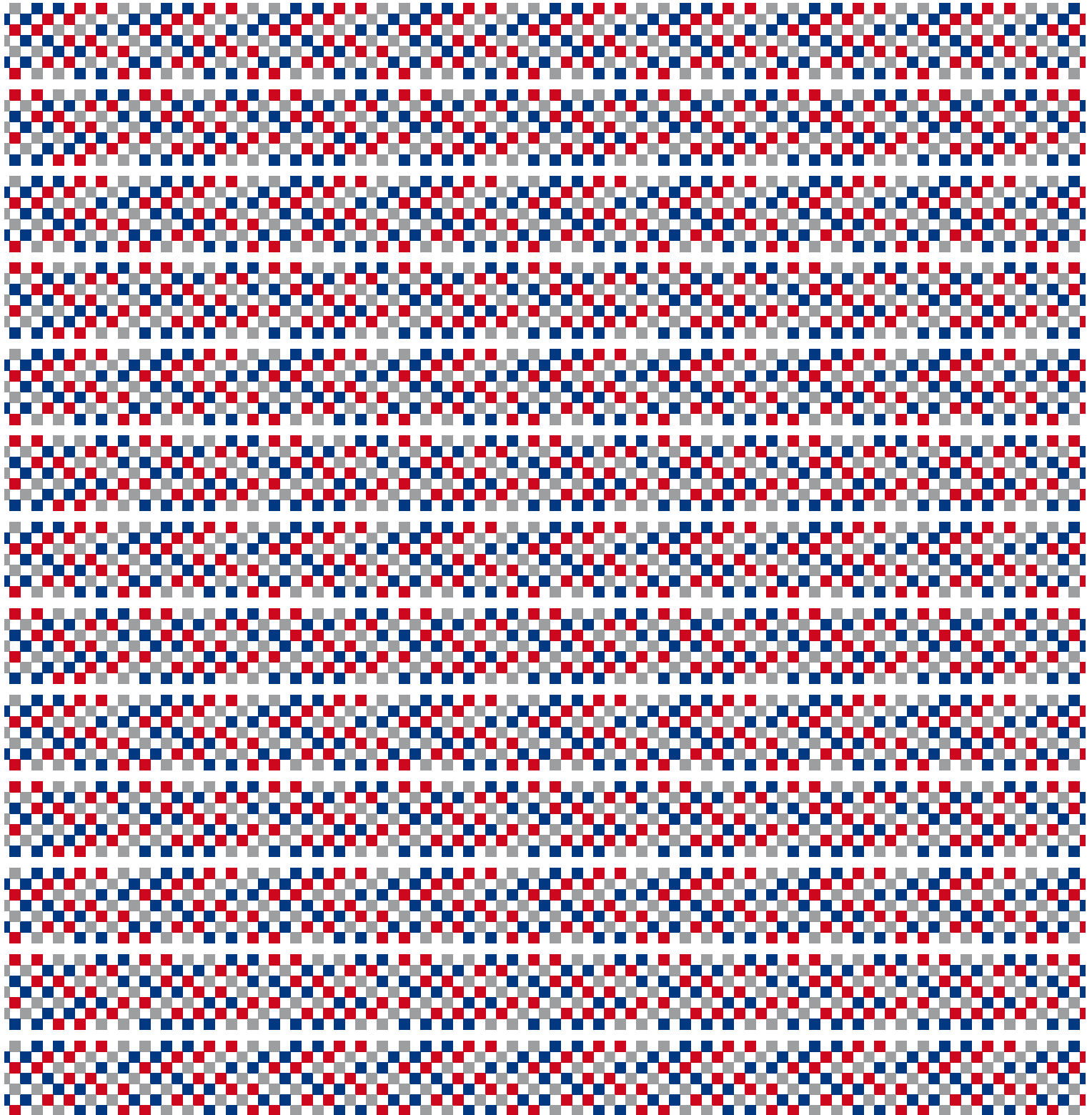
Adding the interest accrued (under the amendment to the Energy Act), the closing balance in the Energy Regulatory Fund current account stood at **CZK 45,444,390** as at 31 December 2013.

3.4.3 Proceedings on administrative fees

In proceedings on licence award, change or revocation, the Office collected fees amounting to CZK 5,967,470 (in duty stamps) and to CZK 5,407,076 (transfers to the Office's bank account and payments in cash at the Office); administrative fees totalled CZK 11,374,546.

Refund of administrative fees was requested by 84 entities; 83 requests were granted, and CZK 339,500 was refunded.

4/ Oversight



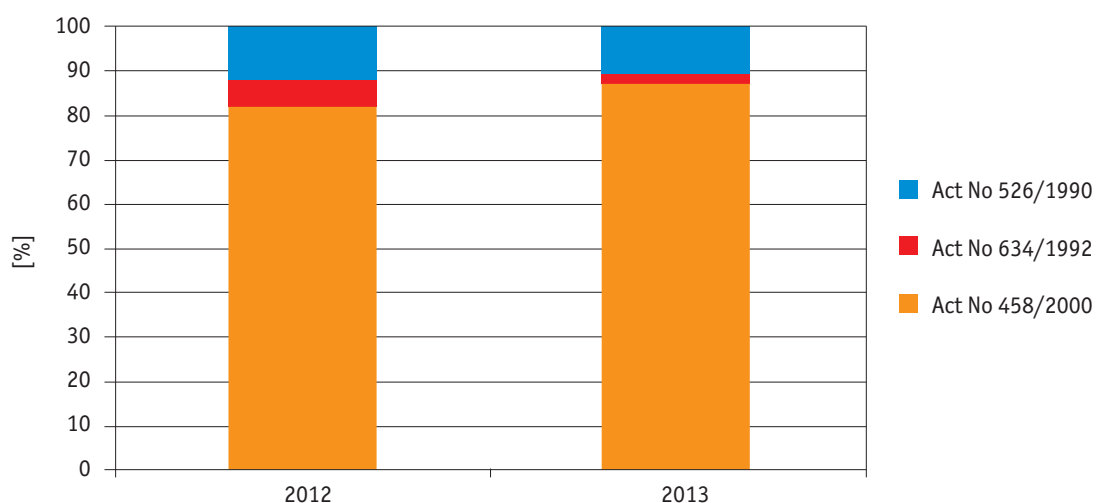
4 Oversight

The Office supervises compliance with the Energy Act and legislation on prices, i.e. Act No 526/1990 on prices, as amended, and ERO price decisions effective in the year under review, in the electricity, gas and heating industries, while supervising the performance of the duties laid down in Act No 634/1992 on consumer protection, as amended, only in the gas and electricity industries.

In 2013, the Office received 232 communications from juristic and natural persons (customers and consumers), chiefly pointing out energy suppliers' conduct and changes in the pricing or technical conditions for energy supply. Submissions indicating suspicion of infringements of legislation are always examined as to justifiability, and reasons for initiating inspections are always checked.

The Office carried out inspections and checks on its own motion and upon suggestion of the Ministry of Industry and Trade. In performing them, the Office followed Act No 552/1991 on state control, as amended, in effect only until 31 December 2013.

Chart 19 Cases addressed in 2012 and 2013



Should it find infringements of legislation, the Office levied fines or imposes remedial measures in administrative proceedings, with a view to having the unlawful situation remedied, granting an adequate time limit or setting other necessary conditions for ensuring that these are carried out.

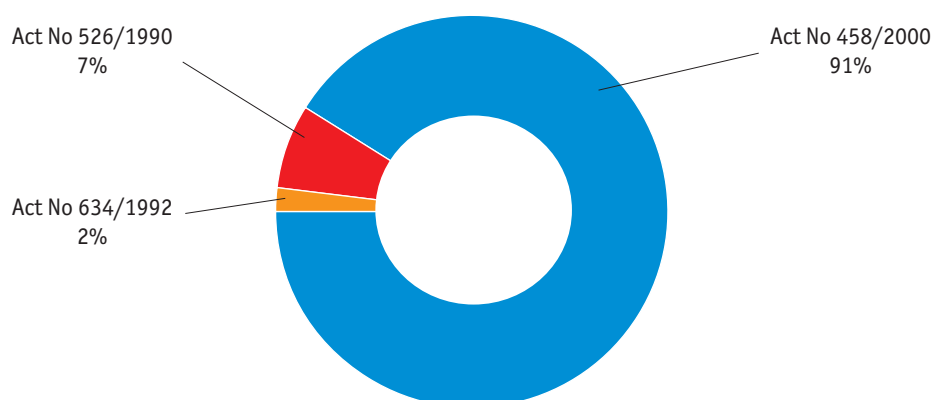
4.1 Electricity and gas industries

In 2013, the Office initiated, under the Energy Act, a total of 224 inspections in the electricity and gas industries; for starting the inspections the Office used, for example, its findings from market monitoring and suggestions received from final customers. Inspections mainly focused on compliance on the part of renewable electricity producers in the photovoltaic and biogas segments under the Energy Act, checks of the rights and obligations of electricity and gas traders under the Energy Act, the Act on Prices and the Act on Consumer Protection, checks of the rights and obligations of distribution system operators under the Energy Act and checks of the rights and obligations of other persons or market participants primarily under the Energy Act.

Another part of the Office's oversight activity was geared towards supervising compliance with particular provisions of the Energy Act. The subject matter of the inspection was, *inter alia*, breaches of the prohibition of activities in the protection zones of electricity and gas system installations, allocation of electricity and gas procurement costs when these commodities were provided to a third party without a licence, and keeping the standards of supply and service quality in the electricity and gas industries together with checking the technical condition of equipment through which electricity and gas is supplied to final customers. In the gas industry, oversight activities focused on property owners' responsibilities, in particular maintaining shared consuming equipment serving for gas supply in a condition consistent with legislation, technical standards and technical rules facilitating safe and reliable gas supply, to prevent such equipment from causing a risk to life, health or property.

In 2013, the Office also initiated, on the basis of evaluating suggestions from the outside, i.e. contained in consumers' submissions, inspections for suspicion of violations of consumer protection legislation (in particular prohibition of unfair business practices) in respect of the rights attached to contract rescission. On the basis of monitoring and of suggestions from the outside, inspections focused on the meeting of licence holders' obligation to provide, when offering and selling electricity and natural gas to consumers, complete information enabling consumers to know the final offering price (covering all taxes, custom duties and charges) prior to executing an agreement on bundled services of electricity or natural gas supply, and on the obligations related to the publication of changes in electricity and gas supply prices.

Chart 20 Checks and inspections commenced in the electricity and gas industries in 2013



4.2 The heating industry

In the heating industry, in 2013 oversight activities consisted of examining the submissions delivered by natural and juristic persons directly to the Office or those referred to the Office by

other state administration authorities: the State Energy Inspectorate (SEI), the Czech Trade Inspection Authority (ČOI) and the Office for the Protection of Competition. The communications largely included complaints about thermal energy suppliers' conduct, suggestions to inspect thermal energy prices, or breach of obligations under the Energy Act.

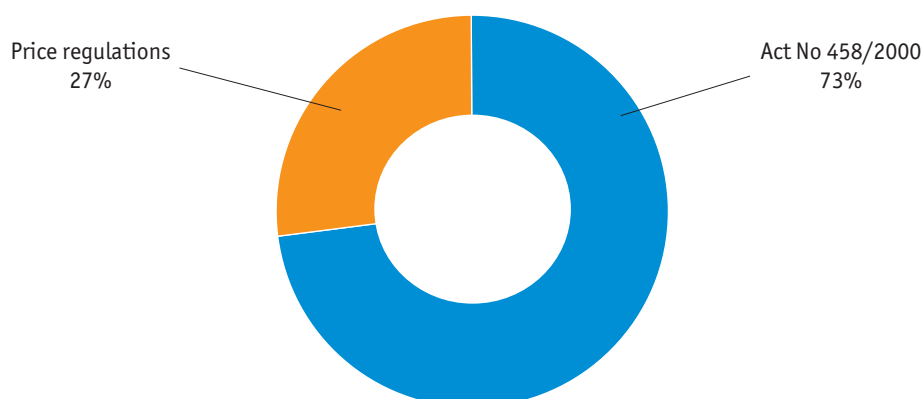
Up to 35 per cent of the submissions were requests to check the allocation of thermal energy costs, which is calculated by the property owners, or managers designated by property owners, or the person who is in charge of allocating costs of services. The Office's oversight competences in such cases are, however, limited to the authority to check and compare the costs of thermal energy billed by the heat supplier and the costs allocated by the owners or the authorised facility management companies inside the property. The Office's findings often prove that hired facility management companies achieve their enrichment by increasing the thermal energy costs. Disputes over the allocation of the costs of thermal energy in a property can only be resolved in litigation, disputes under civil law, between the user of the residential/non-residential premises and the service provider (the property owner or the authorised company).

The Office's activity under Act No 552/1991 on state control, as amended, in the heating industry in 2013 mainly focused on compliance with the Energy Act and price-related legislation, i.e. whether or not the heat supplier negotiated or demanded a price the amount or calculation of which was not in accordance with the conditions for cost-plus pricing under the law on prices and the Office's price decisions on thermal energy prices, which are in effect in the year under review.

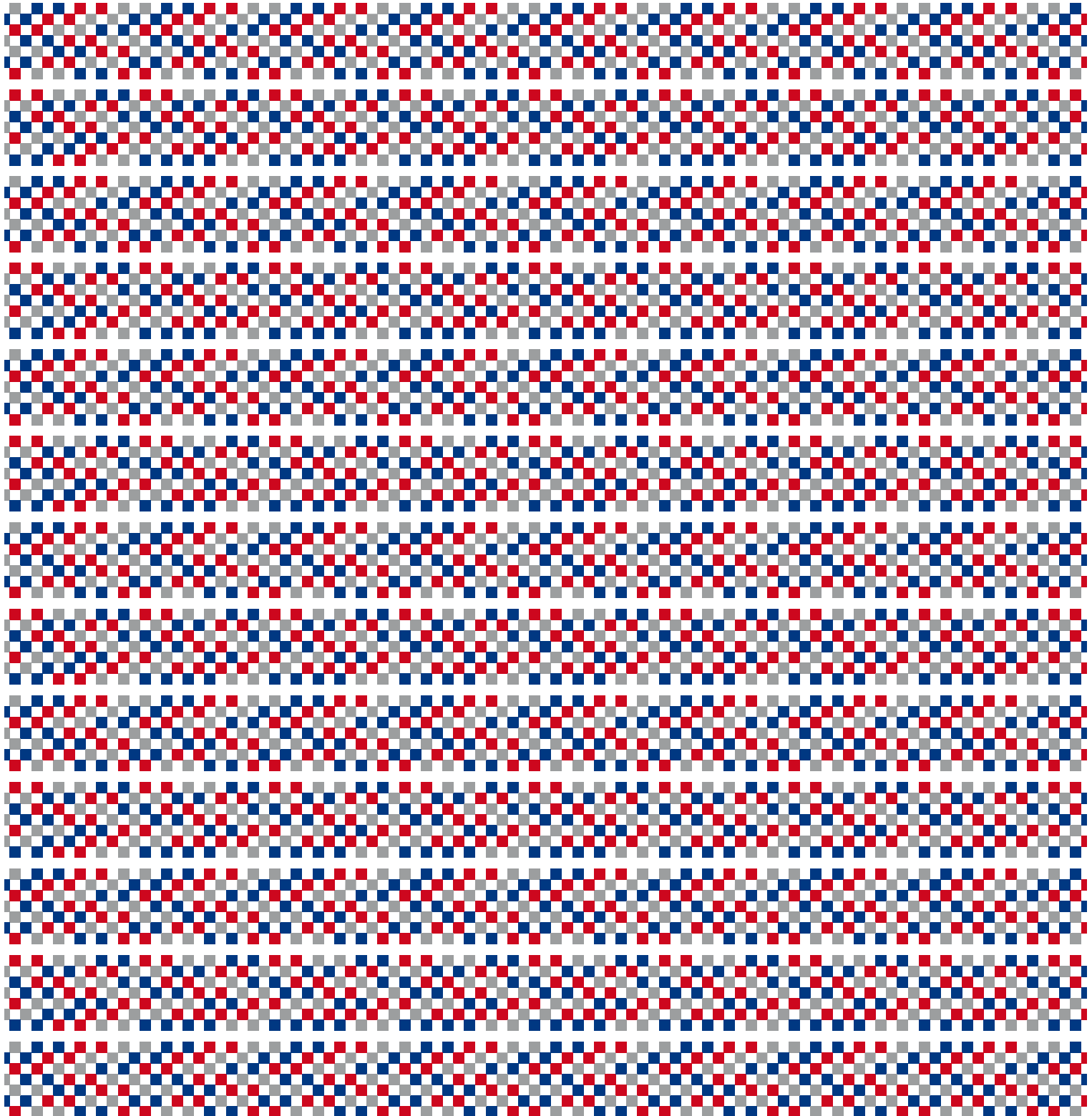
During price-related inspections of thermal energy suppliers, the Office checks the calculation of heat prices and the way in which prices are negotiated. In some cases, the Office starts investigations at multiple price localities supplied by a single heat supplier charging more than one price at the individual levels of heat transfer, when one or hundreds of heat price calculations can be subjected to review. The duration of the inspection process depends on the extent of the subject matter of review in each particular case, and this is why some cases entail a lengthy procedure that may take up to several months.

In the ambit of the Energy Act, inspections are mostly geared towards checking the veracity of the details provided by holders of licences for thermal energy generation and distribution to the Office in their regulatory reports and on the occasion of checks of details in licences. In 2013, these inspections most frequently concerned checks of whether or not licence holders metered heat supply and how they billed customers for this heat. Inspections also look at the ways in which thermal energy is supplied to customers. The Office also receives notifications of the trespassing of the protection zones for heat distributions.

Chart 21 Checks and inspections commenced in the heating industry in 2013



5/ International and internal relations



5 International and internal relations

5.1 International activities

In 2013, the Office was actively involved in a number of international activities, primarily in the EU institutions. It participated in the preparation of documents for the meeting of the Council's energy working group, cooperated in the formulation of instructions for COREPER 1 meetings and of the mandates for the Czech delegation to the TTE Council meetings, specifically the energy part. The above documents largely concerned the regulation on energy infrastructure, the energy 2050 roadmap, renewable energy sources, vulnerable customers, and the integration of the internal energy market. The Office also closely cooperated with, in particular, the Agency for the Cooperation of Energy Regulators (ACER) and joined the activities of the Council of European Energy Regulators (CEER) and its working groups and task forces. These organisations' and institutions' activities mainly focused on completing a single competitive European energy market that will bring benefits for all consumers.

The National Report

As part of its reporting and notification obligations under Directives 2003/54/EC² and 2003/55/EC³, the Office prepared *National Report of the Energy Regulatory Office on the Electricity and Gas Industries for 2012*. This already eighth report covered the developments in the Czech energy markets for the preceding period and was delivered to CEER and the Commission in July 2013 (Czech version) and August 2013 (English version).

CEER and ACER

Cooperation within CEER and ACER mainly consisted in ERO representatives' active participation in the meetings of their working bodies, where they focused on coordinating approaches and promoting the Czech Republic's positions in respect of electricity and gas markets vis-à-vis the EU bodies. Specifically, discussions concerned topics such as integration of day-ahead electricity markets (market coupling), unplanned electricity flows, network codes and framework guidelines for the codes and supervision of their future implementation. Topics of discussions also included the monitoring of wholesale and retail markets, customer protection in relation to the third energy package, REMIT, and the regulation on guidelines for trans-European energy infrastructure, including projects of common interest (PCI).

2 Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003, concerning common rules for the internal market in electricity and repealing Directive 96/92/EC

3 Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003, concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC

Issues of renewable energy sources, support for these sources, energy efficiency and trading in emission allowances, security **and quality of supply, and smart grids** were also discussed.

Regional initiatives

Electricity, Central and Eastern Europe

In respect of regional initiatives, in 2013 the highlight was day-ahead market coupling, where the Office was very active. In addition to market coupling in seven CEE countries, the Office also focused on the narrower Czech-Slovak-Hungarian-Romanian market coupling based on the ATC (available transfer capacity) method for calculating cross-border capacities. Poland is expected to join the project later, as part of the CEE flow-based market coupling initiative. This is associated with more intensive cooperation with the NWE region and other regions with a view to implementing market coupling on the basis of the flow-based method in the entire CEE region as part of building the single European energy market by the end of 2014. However, this deadline may not be met due to the delays in all integrating regions. The talks on a shared approach were complicated by the persisting situation surrounding unplanned electricity flows that pose risk mainly to energy systems in Poland and the Czech Republic, and also the uncertainty inherent in the rollout of this still untried flow-based allocation. On the bilateral level, the Czech and German TSOs reached agreement on putting in place phase shift transformers that are expected to protect the Czech transmission system against unplanned flows.

The integration of the intra-day market was also delayed against the original plan. The NWE region's pilot project was to be implemented by the end of 2012, but the launch was moved by one year with regard to the target of a single market in 2014. The Czech market operator (OTE, a.s.) was the only of the eastern European electricity and gas market operators to take an active part in the integration process; however, it was compelled to suspend its participation because of the amount of the financial contribution required, which is disproportionate to the size of the Czech market. The new rules, already reflecting the market size, are to be set out in the capacity allocation and congestion management network code (CACM NC).

Gas, South South East (GRI SSE)

In the SEE region, the Office followed the development of several pilot projects serving to test network code implementation, and in turn the new EU legislation geared towards the completion of the internal gas market. It was in particular the Network Code for Capacity Allocation Mechanisms (CAM NC).

Detailed information about each of the pilot projects is contained in the CAM Roadmap, updated in October 2013. The major pilot projects include the PRISMA European capacity platform (a capacity booking platform of European TSOs striving to integrate the European primary and secondary gas markets), which was launched in April 2013. In 2013, the Czech Republic did not participate in any CAM Roadmap pilot project.

In 2013, GATRAC (cross-border cooperation between gas TSOs), a platform in which the Czech and Slovak TSOs had also cooperated, discontinued its operation due to lack of interest on the part of the German TSO.

ERO officers attended primarily the meetings of working groups focused on new emerging regional projects aiming at creating a common regional gas market in the Visegrád 4 countries (Poland, Slovakia, the Czech Republic and Hungary) and a trading region called CEETR (Austria, the Czech Republic and Slovakia). Because of the required financial contribution to the CEETR regional project, the Office did not attend any subsequent meetings, and the cooperation therefore took place mainly at the level of Visegrád 4. For the future development of the two integration projects it will be important to analyse the impacts and benefits for all countries involved. The development

will also depend in the rollout of the necessary infrastructure in the countries involved, without which the markets cannot be coupled.

Projects of common interest

Under Regulation (EU) No 347/2013 on guidelines for trans-European energy infrastructure, projects of common interest were evaluated in the electricity and gas industries. The objective of these projects is to promote the creation of a common internal energy market in the EU, eliminate the isolation of disadvantaged regions and diversify and ensure electricity and gas supply. Since the project implementation costs influence prices for final consumers, ERO representatives actively participated in the meetings on the criteria by which the projects are evaluated. Subsequently, projects promoted by the Czech electricity and gas TSOs and also projects that may have a regional impact on the Czech Republic were evaluated through ACER. A significant share of Czech projects was awarded the CPI status, although their final implementation will still be subject to further talks.

Cooperation of Visegrád 4 regulators

During the meeting of the most senior representatives of the Visegrád 4 (V4) countries' energy regulatory authorities, held in Prague in June 2013 upon the Office's initiative, the delegates agreed to create a permanent functional platform of energy regulators. Its main objective is to boost regulators' cooperation in the V4 region with a view to protecting customers at all levels, and also to further deepen a transparent regulatory environment. The regulators' representatives then signed a Joint Statement of National Regulatory Authorities of the Czech Republic, Slovakia, Hungary and Poland on the establishment of a Permanent Forum of the Energy Regulatory Authorities from the Visegrád 4 Region in Budapest in November 2013. Immediately thereafter, practical consultations were started at the level of experts; in addition to the four-party market coupling related to the integration of day-ahead electricity markets, which had been discussed for a longer time, the key topic was the gas industry. ERO officers attended the V4 gas forum and held talks with the Hungarian regulator on the conditions of regulation in the gas industry.

Trips to other countries

In 2013, the Office's employees took 149 business trips to other countries; they attended meetings of the working groups, task forces etc. of CEER, ACER, and regional initiatives, international meetings, meetings with representatives of counterpart regulators, and conferences, and went on study visits in line with the Office's mission in respect of international cooperation and involvement in the activities pursued by international organisations. The purpose of these meetings was to gain new experience in respect of the development of regulation and its models and knowledge of various issues, including unplanned flows, market coupling between neighbouring countries, and the flow-based method for the allocation of cross-border capacities in electricity transmission networks, market coupling, consumer protection and REMIT.

5.2 Internal relations

Cooperation with central state administration authorities and Czech Parliament

Under the Energy Act and other general and special laws and regulations, the Office mainly cooperates with the Ministry of Industry and Trade (MIT), Ministry of Finance, Ministry of Foreign Affairs, the Office for the Protection of Competition, Ministry of the Environment, Ministry of Labour and Social Affairs, the Czech Statistical Office, the State Energy Inspectorate (SEI) and other administrative authorities in energy.

In 2013, the cooperation with MIT continued, with a focus on evaluating the experience with the application of the Energy Act and of the law on supported energy sources as the fundamental legal

framework defining the environment for energy market players' operation. The developments in energy in the Czech Republic and the whole EU resulted in the drafting of an amendment to the law on supported energy sources, which Czech Parliament started to debate in the second half of 2013.

The Office's representatives attended all debates on the amendment to the law on supported energy sources in the committees of both houses of Czech Parliament. For the needs of both houses' committees, the Office prepared several analyses, which, responding to the evolution of the amendment, addressed the practical impacts of the proposed changes and offered a realistic view of the issues in question. The views and positions held by the Office's representatives were not always identical with the views and approaches of the two houses of Czech Parliament.

A major milestone in the Office's activities was its cooperation with the 'Governmental Council for the Energy and Raw Materials Strategy of the Czech Republic', which focused on preparing the supporting documents for the update of the National Energy Concept, the National Action Plan of the Czech Republic for Renewable Energy and the National Raw Materials Policy.

The Office continuously keeps in touch with the various committees of the Chamber of Deputies, especially the Economic Committee and its Energy Subcommittee, the Committee for Public Administration and Regional Development, the Environment Committee, the European Affairs Committee, and also the Audit Committee. The Office also pursues continuous cooperation with the Senate's committees, in particular the Committee for Economy, Agriculture and Transport and its Subcommittee for Energy, the Committee for Regional Development, Public Administration and the Environment, and the Committee for EU Affairs, in respect of energy legislation.

The Office's representatives attended the meetings of both houses' committees on a regular basis to discuss primarily the forthcoming amendment to the law on supported energy sources and EU papers. The Office also delegated its representatives to speak at technical workshops on energy issues. Responding to requests from members of the various committees and sub-committees, most notably in connection with points on photovoltaic plants and feed-in tariffs for renewable electricity, the Office drew up several explanatory papers and studies.

In 2013, ERO Chairwoman provided periodical information to MPs and Senators through the chairs of the Economic Committee of the Chamber of Deputies and the Senate's Committee for Economy, Agriculture and Transport, about the Office's crucial decisions on prices – the process of setting feed-in tariffs for photovoltaic plants, and about the progress in the drafting of the amendments to energy legislation in relation to regulatory issues in the energy sector. A new feature was put in place: the option to provide information to members of both houses of Czech Parliament by way of letters addressed to chairs of political parties' and political groupings' 'clubs'.

As part of its cooperation with the Ministry of the Interior, the Office performed its obligations related to the Panel for Public Administration (an advisory and consulting interdepartmental body for public administration issues). The Panel met four times in 2013.

The Office's representative took an active part in the meetings Interdepartmental Coordination Group for Fight against Corruption and the Office carried out tasks arising from the Government Strategy in Fight against Corruption for 2013 and 2014, sponsored by the Office of the Government of the Czech Republic.

Public and media relations

Information provision under Act No 106/1999 on free access to information

Under Act No 106/1999 on free access to information, as amended, the Office provides information about its work and about options for addressing problems that fall within its competences. In 2013, the Office was approached by 78 applicants for information.

Under Section 18 of the above law, on 1 March 2014 the Office published a report for the preceding calendar year, containing the following:

Section 18(1)(a)

Number of requests for information: 78
 Number of decisions to dismiss the request: 10
 (For details see Appendix 1)

Section 18(1)(b)

Number of appeals filed against decisions: 9

Numbers of accepted and handled requests for information:

	Total received	Handled directly	Referred for handling
Requests (Section 18(1)(a))	78	78	0
Appeals (Section 18(1)(b))	0	0	0

Section 18(1)(c)

Copies of material parts of every judgment of a court: 0

Section 18(1)(f)

Other information relevant to the application of this law:

Numbers of requests for information received and handled in 2013 from the perspective of the Office’s activities

Licences	15
Regulation	37
Oversight	1
Other	15
Legislation and administration	10
Total:	78

The subjects of requests for information mainly included regulation in the electricity industry, especially that related to price decisions and public notices. There was extreme interest in information about supported energy sources, in particular solar plants. A number of questions also concerned licensing and the Office’s own activities and competences.

The importance of energy as a whole is also highlighted by the fact that questions are becoming more and more technical and preparing qualified answers to these questions is therefore more time consuming and requires greater technical expertise.

Media

Due to the shift in regulation in response to the respective legislative changes, primarily those concerning supported energy sources, the presentation of the Office’s position and activity centred around its individualised approach to the media, in particular the trade press and the journalists who cover energy issues, with a view to informing both the lay public and expert circles about the Office’s forthcoming steps on time. The development of the communication strategy included periodical press releases on the Office’s key activities and positions, and press conferences and briefings on the current issues arising from the Office’s activities, appearances

of the Office's personnel at conferences and seminars and the publication of articles in the trade press, in particular the titles focused on energy. The Office's policy is to be open and responsive, flexible in the provision of information, and consistent and reliable in relation to the media, and also to listen to them and use the feedback.

In 2013, the Office participated in the organisation of, or granted aegis over several technical conferences on issues of the Czech energy sector.

In order to strengthen internal communication, in 2013 the Office started to issue an internal e-quarterly, *Our Office*, which carries information about the activities of the various parts of the Office, personnel information, and also, for example, information from Cabinet and Parliament meetings and sittings.

5.2.1 Publications

In 2013, the *Energy Regulation Gazette*, issued by the Office under the Energy Act and published via the public administration portal (which offers verified information guaranteed by the government and also electronic agenda), appeared only in electronic form and was subsequently posted on the Office's website.

Ten issues of the *Energy Regulation Gazette* appeared in 2013. Seven of them carried price decisions: two on electricity prices, three on gas prices, one on supported energy sources and one on thermal energy prices. The other publications included a report on the management of the Energy Regulation Fund for 2012 and the budget proposed for the fund for 2013, information about the size of renewable electricity generation, the size of heat generation from biomass and the size of biomethane production in 2011, and a report on the level achieved in maintaining electricity transmission and distribution continuity for 2012 (*The Quality Report*).

Under Section 10(2) of Act No 526/1990 on prices, as amended, the Office is, as a price control authority, obliged to promulgate in the Official Gazette notices of regulations on price controls which have been published in the *Energy Regulation Gazette*, i.e. price decisions. Their publication must be notified through the Official Gazette in the form of a communication under Section (2)(1)(f) of Act No 309/1999 on the Official Gazette and on the Collection of International Treaties, as amended. Complying, the Office again did so in 2013.

Under Section 17(7)(m) of the Energy Act, the Office publishes annual and monthly reports on the operation of the Czech electricity grid and annual and monthly reports on natural gas supply and consumption. Licensed entities operating in the electricity and gas industries furnish the Office with the information, in the form of operating and technical data, for the preparation of the above reports.

The monthly reports are prepared by the end of the month following the end of the period under review and are published on the Office's website. The *Annual Report on the Operation of the Czech National Electricity Grid* and the *Annual Report on Natural Gas Supply and Consumption in the Gas System* are prepared once a year. Since 2011, both of these reports have been appearing in English in the unabridged version.

The Czech Statistical Office, Ministry of the Environment, Ministry of Industry and Trade, and some Regional Authorities take outputs from the Office's databases on a regular basis.

Under the Energy Act, the Office submits a report on its activities and finances to the Czech Government every year; the report is then approved by the Chamber of Deputies of Czech Parliament and is also provided to the Commission and Agency. The Office usually also issues this report in electronic form in Czech and English.

5.2.2 ERO website

The Office's website was extended to include the REMIT category, broken down as follows:

- ACER Recommendations to the European Commission on the records of wholesale energy market transactions;
- Public consultation on ACER Recommendations to the European Commission;
- Notification of the publication of Regulation (EU) No 1227/2011 to market participants⁴;
- ACER platform access;
- ACER Guidance on the implementation of REMIT. 2nd edition;
- European Commission's public consultation on implementing acts; and
- Public consultation on technical requirements for data reporting under REMIT.

The development of the Office's new website had become one of its core activities, which also continued in 2013. In 2012, a consultancy, DataLite, spol. s r.o., analysed the Office's then current website and the requirements for new website, and these documents, together with the specifications, served as the basic documents of the terms of reference for announcing an open tendering procedure for the Office's new website; PFI s.r.o., selected in an RfP procedure, helped the Office to organise the tendering procedure.

Under applicable legislation (Act No 137/2006 on public procurement) and Directive 2004/18/EC⁵, on 29 January 2013 a notice of a public contract was published in *Věstník veřejných zakázek* [*Public Contract Gazette*]. Envelopes were opened, in the presence of representatives of most of the companies participating in the tendering procedure, on 20 March 2013. Twelve bids were delivered. Of these, three were disqualified because the tenderers failed to meet the Office's requirements or the conditions of the terms of reference.

In late May 2013, the commission then selected the bid submitted by T-Systems Czech Republic, a.s., with a bid price of CZK 595,000 (w/o VAT) as the best of the remaining nine bids. The agreement on the delivery of the new website was signed on 23 July 2013. In line with the approved timetable, the new website will be launched in routine operation by the end of the first quarter of 2014.

5.3 The Chairwoman's advisory corps

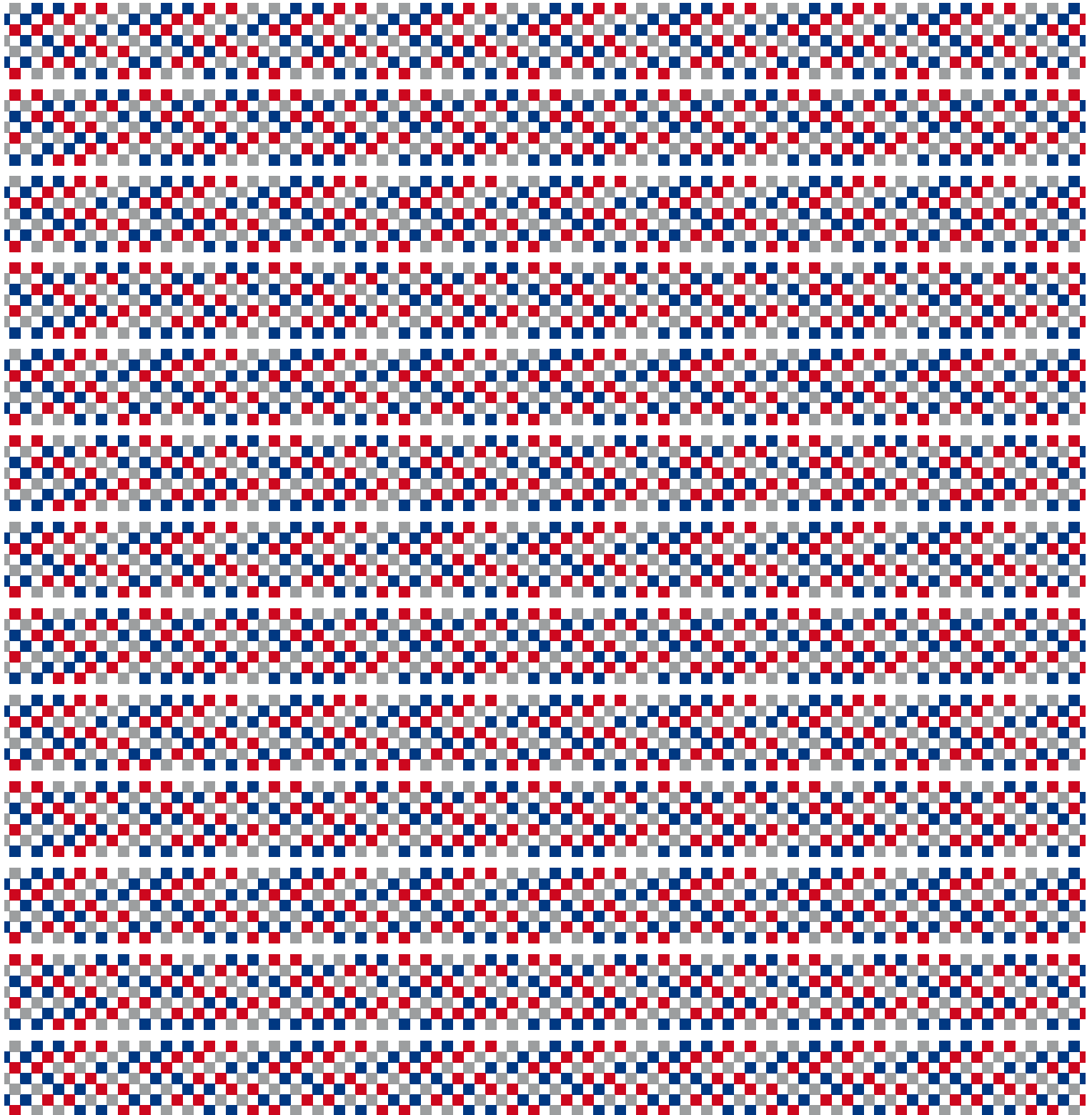
The advisory corps works for ERO Chairwoman in an advisory capacity at the independent Energy Regulatory Office. Its composition of experts matches the Office's orientation; the experts contribute their experience to ERO Chairwoman's objective and comprehensive information mix.

Members of the advisory corps provide their expert opinions and submit their proposals to ERO Chairwoman.

⁴ Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency

⁵ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts

6/ ERO budget management



6 ERO budget management

6.1 The Chapter's budget

The budget for Chapter 349, Energy Regulatory Office, was approved as part of Act No 504/2012 on the National Budget for 2013 of 19 December 2012, with income totalling CZK 205,967,000 and expenditure totalling CZK 198,950,000.

The originally approved ERO budget for total revenues and expenditure was not adjusted for 2013 (the approved budget equalled the budget after changes); however, the final budget was adjusted to CZK 206,451,000 by including the claims on unused expenses [NNV] from previous years, amounting to CZK 7,501,000. Budget adjustments were made in compliance with Act No 218/2000 on Budgetary Rules, as amended. In 2013, the Office made 14 adjustments to budgeted expenditure. The scope and detailed structure of the budgetary measures are described in detail in the 2013 State Final Account for this Chapter.

The Office operates as an independent chapter of the national budget and does not pursue any economic activities, has no equity interests in Czech or foreign companies and no special-purpose transfers, is not authorised to provide subsidies or loans, has no expenditure under concession agreements and has no subordinated organisational components.

6.2 Revenues to the Chapter

For Chapter 349, Energy Regulatory Office, in 2013 *total income* was budgeted at **CZK 205,967,000**; of this amount, tax revenues of **CZK 201,467,000** and non-tax revenues of **CZK 4,500,000**.

Actual performance versus the budget as at 31 December 2013 in terms of *total income* was **CZK 216,799,870**, i.e. at 105.26 per cent of the approved budget for *total income*.

In respect of *tax revenues*, as at 31 December 2013 actual performance was **CZK 210,341,670**, i.e. at 104.41 per cent of the approved budget. This tax revenue consisted of the administrative fees charged for licence award to entities operating in energy (budget item 1361, actual amount CZK 11,374,550) and the fee for the Office's activities (budget item 1371, actual amount CZK 198,967,120) under Section 17d of the Energy Act.

In respect of *non-tax revenues*, as at 31 December 2013 actual performance was **CZK 6,458,200**, i.e. at 143.52 per cent of the approved budget. This non-tax revenue consisted largely of income from fines levied by the Office in the energy sector under the applicable laws, Acts No 458/2000 (Energy Act), No 526/1990 (Act on Prices), No 634/1992 (Act on Consumer Protection) and No 552/1991 (Act on State Control) and under the Office's price decisions effective in the year

under review (budget item 2212, actual amount CZK 6,143,430). The balance was certain random income (actual amount CZK 314,000). For 2013, income from the EU budget without CAP was not budgeted, and the actual amount reported at 31 December 2013 was nil.

6.2.1 Administrative fines

In 2013, fines totalling **CZK 6,143,430** were paid (down by CZK 1,384,830, i.e. 18.4 per cent on 2012); the highest fines were paid by the following companies:

Zásobování teplem s.r.o., TEPLO Rumburk, s.r.o., SMO, městská akciová společnost Orlová, Novosedelská bytová s.r.o., České Energetické Centrum a.s., BISA s.r.o., TTS energo s.r.o., TEPLO Oskol s.r.o., Energie2, a.s., CENTROPOL ENERGY, a.s., BICORN s.r.o., SWIETELSKY stavební s.r.o., etc.

In respect of fines imposed with finality, as at 31 December 2013 there were 74 outstanding receivables (account 315, other receivables from main activity) totalling **CZK 8,172,470** (down by CZK 1,020,090, i.e. 11.1% on 2012); of this, CZK 5,759,950 is attributable to 11 fines transferred to the Office from the SEI. These are fines in administrative proceedings and collection proceedings resulting from the SEI's inspections of compliance with Acts No 458/2000 (Energy Act), No 526/1990 (Act on Prices), No 634/1992 (Act on Consumer Protection) and No 552/1991 (Act on State Control).

The largest receivables, which the Office is recovering in court, are those due from Liberec-based LENOX A s.s., which is in receivership proceedings; it owes seven fines totalling CZK 4,119,270; TEPLO NOVÝ BOR spol. s r.o., two fines totalling CZK 1,459,640; Mr Václav Votava, one fine of CZK 519,040; and TERMO Děčín a.s., one fine of CZK 501,000.

6.3 Expenditure

The total amounts actually drawn on the budget and a comparison with the final budget of expenses for 2013 can be seen in Table 7.

Table 7 Total amounts actually drawn – total expenditure for 2013

Amounts drawn on the budget	Final budget of expenditure [CZK]	Actual [CZK]	Percentage [%]
Total expenditure	206,451,000	177,124,950	85.80
of which:			
capital expenditure drawn	20,381,000	13,687,110	67.16
current expenditure drawn	186,070,000	163,437,840	87.84

6.3.1 Current and capital expenditure savings

As at 1 January 2013, the ERO chapter reported, under Section 47 of Act No 218/2000 on budgetary rules, as amended, claims for unused expenses (NNV claims) totalling CZK 26,129,580. In 2013, NNV claims totalling CZK 7,501,000 were used. The closing balance of NNV claims for use as at 31 December 2013 was CZK 18,628,580.

In each case of expenditure in 2013, the funds were spent as effectively, economically and efficaciously as possible, and always with a view to achieving the maximum benefit for the Office

and its activities. Thanks to the above, savings were achieved v the budget of expenditure, amounting to **CZK 29,326,050**, in particular in the following areas:

- salaries and other personnel expenses, incl. insurance premiums and FKSP CZK 281,180
- programme financing EDS/SMVS CZK 14,717,900
- 'other current expenditure' (w/o EDS/SMVS) CZK 14,326,970

These funds can therefore be used for financing the Office in 2014.

Total claims on unused expenses as at 1 January 2014, i.e. savings of CZK 29,326,050 achieved in 2013 and the balance of claims on unused expenses as at 31 December 2013, amounting to CZK 18,628,580, were reported at a total of **CZK 47,954,630** for chapter 349, of which:

- 'major expenses' (programme financing EDS/SMVS) CZK 16,993,620
- 'minor expenses' (other outside EDS/SMVS) CZK 30,961,010

6.4 Human resources

The Office's personnel and organisational activities were geared towards the following tasks in 2013:

Personnel management agenda

The main task for 2013 was to ensure that the new lines of activity are properly staffed and also to tackle the higher turnover of employees. Another important task was to reinforce the staffing of the licensing department, which had to cope with a large number of licence applications filed in late 2013. The budget approved for 2013 set the number of the Office's employees at 193, i.e. 15 more than in 2012.

Education and training

CZK 1,542,240 was spent on education (expenditure item 5167 – training and education services). Total expenses on education therefore accounted for 1.80 per cent of the actual cost of salaries for employees under employment contracts (including ERO Chairperson's salary), which was slightly less than in 2012 (2.06%, CZK 1,552,690).

The issue of education had previously been implemented in the Office's internal standard. As in previous years, the Office planned educational activities in accordance with Government Resolution No 1542 of 30 November 2005 on the rules of administrative authority staff training. Education and training can be categorised as follows:

Initial training

a) Introductory initial training

All employees took this course once their employment contracts came into effect; it also includes training in OHS and fire protection. 72 employees took this course.

b) Continued initial training

This is organised in cooperation with the Institute of State Administration. The purpose is to acquaint the employees with the basics of law, the operation of public administration, the issues of public finance and similar themes. 17 employees took this course.

Advanced training

a) Advanced managerial training

It had the nature of a two-day team training course attended by 22 managers on the subject of Project Management.

b) Language training

In 2013, this training took place to a larger extent. Some of the new employees were also included in language courses.

For 2013, 126 official positions were specified for which knowledge of a world language is prerequisite qualification. As at 31 December 2013, twenty of these official positions were vacant. In the 106 official positions that were filled, 56 employees fully meet the language qualification requirement, and for 14 employees this requirement has been waived. In respect of 36 new employees, the language requirement will be met in 2014 and 2015 when they pass the respective examinations after going through the language courses. As at 31 December 2013, the language qualification requirements were therefore met by 66.04 per cent of the set and filled number of official positions. Certain employees who represent the Office and deal with international counterparties attended intensive English language courses in 2013.

Table 8 Employees' command of languages as at 31 December 2013

	Number of selected positions subject to the qualification requirement of standardised language examinations, in the order of proficiency				Total number of specified positions
	1st level	2nd level	3rd level	4th level	
English	86	30			116
German	9				9
French		1			1
Total	95	31			126

c) Other advanced training covered the following:

- training in occupational health and safety and fire protection,
- training in Act No 255/2012 on oversight (oversight rules),
- drivers' professional competence,
- repeated training in Act No 500/2004 Rules of Administrative Procedure (certified training course concluded by a test and a certificate),
- training in Act No 89/2012, the Civil Code,
- training in Ethics and Anti-corruption measures,
- additional ongoing training in amendments to legislation.

Altogether 64 training events were held, slightly less than the 71 events organised in 2012; most of the events were organised in the latter half of 2013.

The structure of education, training and professional development expenses is as follows:

Table 9 Structure of education and training expenses

Training	Language training [CZK]	Other training [CZK]	Total [CZK]
Amount	876,440	665,800	1,542,240

CZK 876,440 was spent on language training, which was more than in 2012 (CZK 762,920). CZK 334,470 and CZK 541,970 were spent on language courses in other countries and in the Czech Republic, respectively. Spending on other education was slightly lower than in 2012 (CZK 789,770); of the CZK 665,800 drawn in 2013, the following fields of education took the largest part: Rules of Administrative Procedure, CZK 143,360; project management, CZK 49,800; and the Civil Code, CZK 30,000.

In addition, 39 employees were delegated to various conferences and seminars on regulatory issues.

Employees

The approved budget for 2013, in respect of the 'mandatory standard target' of 'salaries for employees and other payments for work', was at a level of CZK 85,982,000. The final budget was CZK 88,090,000 (NNV claims were used at CZK 2,000,000 for salaries and CZK 101,000 for other personnel expenses) and was met at a level of 99.97 per cent, CZK 88,067,260; of this, the mandatory standard target of salaries for employees, with an approved budget of CZK 82,322,000 and a final budget of CZK 84,322,000, was met at a level of 100 per cent, CZK 84,321,940, and the mandatory standard target of salaries for employees derived from those of constitutional officials was met at a level of 99.35 per cent, CZK 1,558,760. An average salary of CZK 36,222 was planned for 2013. The actually achieved average salary was CZK 37,667, index 103.99 per cent. The 2013/2012 index of the actually achieved average salary was 97.17 per cent, with an annual inflation of 101.40 per cent.

As regards expenses on other payments for work (subgroup of items 502), the following amounts were paid:

– Item 5021, other personnel expenses **CZK 2,017,560**

Of which,

- work in the preparation of expert calculations and opinions, and consultations **CZK 363,560**
- work related to the remonstrance commission **CZK 200,640**
- work in the licensing department **CZK 794,820**
- on the Office's other operating needs **CZK 640,820**
- undrawn funds (transfer from the deposit account) **CZK 17,720**
- Item 5024, severance pay (related to organisational changes, NNV claims amounting to CZK 101,000 were used) **CZK 169,000**

In 2013, the average number of FTE employees was 190 while the planned number was 193, i.e. the plan was met at 98.45 per cent. This was 28 employees more than in 2012.

The actual number of employees registered as at 31 December 2013 was 218 while the plan had been 193. This was 32 more employees than the staffing level as at 31 December 2012.

In the first half of 2013, several recruitment procedures took place. As in preceding years, the Office frequently encountered problems related to salary levels and the policy of remuneration in the government sector in respect of qualified candidates possessing the required expertise. The higher employee turnover also had to be addressed.

In the second half of 2013, the licensing department was again significantly reinforced by temporary employees (in connection with the solar boom).

The following can illustrate the situation:

- Staffing level as at 30 June 2013: actual number 188 employees, average FTE 180 for the first half of the year, and 200 for the second half of the year.

Since the Office did not have a sufficient number of scheduled job positions for the increasing volume of its lines of activity, it had to take on 33 employees (as at 31 December 2013) under 'agreements to complete a job' and 'agreements to perform work'.

Despite the strong competition in the energy sector in respect of wages and the general shortage of university graduates skilled in technical and engineering fields, the Office gradually met the most urgent requirements for filling job positions.

The employee structure, by selected criteria, is illustrated in Tables 10 and 11.

Table 10 Incoming and outgoing employees in 2013

	New staff	Leaving staff
Number	72	39

Of the overall number of 218 employees as at 31 December 2013, 85 worked in Jihlava, 72 in Prague and 61 in Ostrava [worked within the meaning of the place of performance of work / agreement on regular workplace].

Table 11 Employee structure by age and gender as at 31 December 2013

Age category	Men	Women	Total	Share of total staff [%]
Up to 20 years	0	1	1	0.5
21 – 30	30	43	73	33.5
31 – 40	28	28	56	25.7
41 – 50	14	19	33	15.0
51 – 60	21	21	42	19.3
61 years and older	8	5	13	6.0
Total	101	117	218	100.0
Percentage	46.3	53.7	100	-

Compared with the preceding period, the percentage of women rose again, by 2.6 pp to 53.7 per cent. The staffing levels in the critical age categories between 21 and 60 years are relatively balanced; the category of employees between 21 and 30 significantly expanded, which was due to the increased number of employees in the licensing department; of these, many had fixed-term employment contracts.

In the group of managerial personnel, of the total of 49 planned positions, 46 were filled, of which 14 by women, i.e. 30.43 per cent, as at 31 December 2013.

Table 12 Employee structure by education and gender as at 31 December 2013

Education	Men	Women	Total	Share of total staff [%]
Primary	0	0	0	0
Vocational	0	0	0	0
Vocational secondary	0	1	1	0.5
Complete secondary	1	6	7	3.2
Complete vocational secondary	11	27	38	17.4
Higher education college	1	0	1	0.5
University	88	83	171	78.4
Total	101	117	218	100.0

The Office continues to be successful in steadily raising the number of employees with university education: compared with 2012, the growth was 26 employees. The situation reflects the heavy requirements placed on employees and the growing difficulty of the existing and new lines of activity.

Table 13 Duration of employment as at 31 December 2013

Employment	Number	Share of total staff [%]
Up to 5 years	163	74.8
Up to 10 years	26	11.9
Over 10 years	29	13.3
Total	218	100.0

Organisational activities

During 2013, 62 internal regulations were issued, of which 44 were ERO Chairwoman's Measures required for supporting the Office's own functioning and also 6 ERO Chairwoman's decisions and 12 guidelines specifying instructions for improving and standardising the procedures followed by the Office's technical units.

6.4.1 Programme financing

In the system for financing the programmes of asset replacement, for 2013 only one programme was included, 149 010 Development and Replacement of the Technical Facilities of the ERO (hereinafter 'Programme'), which consists of two sub-programmes:

- sub-programme 149 011 – ERO ICT Procurement, Replacement and Operation
- sub-programme 149 012 – ERO Asset Procurement and Replacement

The fundamental objective of this programme is to ensure the development of adequate facilities for the Office, with the heaviest emphasis on ICT.

Eight approved projects have been launched and are being monitored and evaluated under these sub-programmes. In 2013, the programme documentation was updated (identification details, more precise specification of the mandatory objectives and the mandatory targets of the costs and financial balance) and changes of the mandatory deadlines for its implementation, including its completion by 31 December 2015, all subject to approval by the Ministry of Finance. The programme financing budget for 2013 was approved at **CZK 37,880,000**. In 2013, two budgetary measures were adopted, which adjusted the approved budget for programme financing. One budgetary measure reduced the approved budget by CZK 1,880,000, and the other budgetary measure factored in the NNV claims from preceding years, amounting to CZK 4,628,000. As at 31 December 2013, the post-changes budget of EDS/SMVS programme financing for 2013 therefore amounted to **CZK 36,000,000** and the final budget of expenditure for 2013 amounted to **CZK 40,628,000**.

The final budget of expenditure under the mandatory target Total Expenses Recorded in the Programme Financing Information System, programme number 149 010 Development and Replacement of the Technical Facilities of the ERO, was met at 63.77 per cent and the budget of expenditure after the change of this mandatory target was met at 71.97 per cent, actual amount CZK 25,910,100; in absolute terms, these are savings of CZK 14,717,900 against the final budget of expenditure.

Table 14 shows results for 2013 by sub-programmes and Table 15 shows results by current and capital expenditure. In line with the Office's priorities, the largest amount of funds was allocated to IT (sub-programme 149 011 ICT) for 2013.

Table 14 Results by sub-programme for 2013

	Final budget of expenditure [CZK]	Actual [CZK]	Percentage [%]
Total, Programme No. 149 010	40,628,000	25,910,100	63.77
of which:			
Sub-programme 149 011 ICT	32,080,000	18,883,320	58.86
Sub-programme 149 012	8,548,000	7,026,780	82.20

Table 15 Results by current and capital expenditure for 2013

	Final budget of expenditure [CZK]	Actual [CZK]	Percentage [%]
Total programme financing	40,628,000	25,910,100	63.77
of which:			
Current expenditure	20,247,000	12,222,990	60.37
Capital expenditure	20,381,000	13,687,110	67.16

Information and telecommunications technology at the Office

For the new technical units, separate modules were set up in the Office's Integrated Information System (JIS): a module for the Supported Energy Sources Section, a module for the consumer protection unit, specialised modules for legislative and administrative departments, etc.

A major project, which continues in 2014, was a project for new electricity industry statistics and its inclusion in JIS. The original system, which the Office had used since its establishment, was obsolete and its technology was no longer supported by the producer.

In 2013, the Office decided to create a new website since the current website was unsatisfactory in terms of technology and user comfort. The new website was put into trial operation at the end of 2013 and the beginning of 2014.

The agreement on the provision of mobile voice and data services was terminated, and the Office therefore announced a new tendering procedure, which was carried out by way of an e-auction. Costs savings amounted to approximately 40 per cent even with a larger number of users.

In October 2013, the Office retained certification under ČSN ISO/IEC 27001 during a surveillance audit at the Ostrava offices and continues to be entitled to use the national certification logo, CQS, and the international certification logo, IQNet.



6.4.2 Expenses on business trips abroad

Expenses on business trips abroad totalled CZK 3,484,540, of which CZK 3,094,070 were paid in travel costs. Compared with 2012, expenses on business trips abroad increased by CZK 895,570 (34.59%). Altogether 149 business trips abroad took place in 2013 (130 in 2012).

Costs of the trips related to CEER/ACER activities and EU meetings amounted to CZK 1,543,930. Expenses on business trips to other meetings abroad, for example, bilateral meetings, workshops, study visits and forums held by other organisers, amounted to CZK 974,190 and costs incurred in travels related to language courses amounted to CZK 966,420.

For 2013, 'non-investment transfers to international organisations', carried in budget item 5511 'non-investment transfers to international organisations', amounted to CZK 804,810 (EUR 31,048) and relates to the annual membership dues to CEER.

6.4.3 Evaluation of the economy, efficiency and efficacy of the Office's financial management

The obligation to continuously monitor and evaluate the economy, efficiency and efficacy of the costs spent under the whole chapter is incumbent on the chapter manager under Section 39(3) of Act No 218/2000 on budgetary rules, as amended. The Office fully applies the approach under Act No 320/2001 on financial control in public administration and changes to certain laws (the Financial Control Act), as amended, the relevant implementing regulation, no. 416/2004, as amended, and under Act No 137/2006 on public procurement.

In awarding public contracts, the Office follows the applicable legislation, Act No 137/2006 on public procurement, the rules for the system of using electronic market places by public administration entities in procuring and replacing specified commodities and its internal directive on the application of the law at the Office.

Using the procedure under Act No 137/2006, in 2013 the Office announced 19 public contracts in open procedures, simplified below-threshold procedures and negotiated procedures without publication of the notice. Of this number, ten public procurement procedures were completed by selecting the supplier/contractor and executing the contract; the remaining nine tendering procedures were cancelled within the meaning of the above law. The reasons for cancelling them included, in particular, the satisfaction of the relevant provisions of that law, when candidates did not submit any tenders or only one tender remained for evaluation following the assessment of the tenders.

Electronic tools used in public contract awarding help to achieve significant savings of public funds. An example is the use of the electronic market place for awarding the public contract for the provision of electronic communication network services and related deliverables. The expected value of the public contract, CZK 2,100,000 planned for two years, was reduced to CZK 319,190 in the e-auction by competitive bidding. On the whole for 2013, financial savings achieved in respect of public contracts awarded under Act No 137/2006 amounted to almost CZK 2,500,000 compared with the expected value of the public contracts. (All values are stated without VAT).

The other public contracts were awarded in the regime of low-value public contracts using the procedure set out in an internal directive.

The Office evaluates the spending of the chapter's budgetary funds on a regular basis. In the chapter's closing account, the Office always includes an overview of the cost intensity of the chapter for a longer period of time.

Expenses in absolute terms, and expenses in relative terms per employee, are listed in Table 16 and broken down by cost category.

Table 16 Comparison of actual expenses under Chapter 349 Energy Regulatory Office, for the period 2001–2013

Item	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007
Total expenses	97,487	77,637	93,978	116,770	105,018	98,556	101,130
of which:							
- Salaries, other payments, insurance premiums and FKSP	19,955	36,081	41,772	46,967	48,532	52,524	56,986
- Expenses on asset replacement financing programme	54,201	11,976	15,741	15,561	19,526	16,006	15,938
- Total other expenses	23,331	29,580	36,465	54,242	36,960	30,026	28,206
of which:							
- Allocations to the Reserve Fund (RF)	2,142	2,299	2,351	27,200	2,602	0	0
- Other expenses w/o RF	21,189	27,281	34,114	27,042	34,358	30,026	28,206
Expenses on salaries and other payments for work	14,741	26,470	30,656	34,397	35,493	38,466	41,619
Salaries to employees	14,158	26,001	30,197	34,122	35,225	37,953	41,347
Staffing levels (FTE)	40	73	82	89	90	93	95
Average monthly salary	29,496	29 682	30,688	31,949	32,616	34,008	36,269
Payroll and social costs per employee	499	494	509	528	539	565	600
Programme financing costs per employee	1,355	164	192	175	217	172	168
Other expenses per employee	583	406	445	609	411	323	297
Total expenses per employee	2,437	1,064	1,146	1,312	1,167	1,060	1,065

Item	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Index 13/12
Total expenditure (final budget)	107,906	115,377	110,916	111,291	168,384	177,125	105.19
of which:							
- Salaries, other payments, insurance premiums and FKSP	60,774	63,937	67,274	66,334	102,855	118,584	115.29
- Expenses on asset replacement financing programme	18,437	21,232	18,145	20,811	30,052	25,919	86.25
- Total other expenses	28,695	30,208	25,497	24,146	35,477	32,622	91.95
of which:							
- Allocations to the Reserve Fund (RF)	0	0	0	0	0	0	0
- Other expenses w/o RF	28,695	30,208	25,497	24,146	35,477	32,622	91.95
- Use of NNV claims			5,975	7,395	6,306	7,496	118.87
Expenses on salaries and other payments for work	44,431	47,186	49,625	49,449	76,360	88,067	115.33
Salaries to employees incl. Chairperson	44,115	46,590	48,658	47,401	75,356	85,881	113.97
Staffing levels (FTE)	95	98	105	105	162	190	117.28
Average monthly salary	38,698	39,617	38,617	37,620	38,764	37,667	97.17
Payroll and social costs per employee	640	652	641	632	635	624	98.27
Programme financing costs per employee	194	217	173	198	186	136	73.12
Other expenses per employee	302	308	242	230	219	172	78.54
Total expenses per employee	1,136	1,177	1,056	1060	1,039	932	89.70

Note: The figures are in CZK thousands (with the exception of the staffing levels, average salaries, and indices).

6.5 Cash funds

Fund of Cultural and Social Needs

The Fund of Cultural and Social Needs (FKSP) was continuously accumulated and used in line with Ministry of Finance Regulation No 114/2002 on the Fund of Cultural and Social Needs, as amended, and in line with the Office's internal principles set out in its internal directive. As at 31 December 2013, the Office's funds in the FKSP account totalled **CZK 83,320**.

Reserve Fund

The balance in the Reserve Fund was nil as at 31 December 2013. There was no movement in 2013.

6.6 Assets, receivables and liabilities

As at 31 December 2013, the Office held assets valued **CZK 178,521,800** at acquisition cost, and carried at a book value of **CZK 82,399,290** following accumulated depreciation. The assets that the Office is authorised to manage are listed in detail in Appendix 3. In 2013, the total value of assets, at acquisition cost, increased by CZK 13,621,900 on 2012, which is mainly attributable to the development and replacement of the Office's technical facilities.

As at 31 December 2013, **receivables totalled CZK 9,271,790**. In this amount, the largest part is CZK 8,172,470 in fines levied in administrative proceedings following checks of energy entities as to their compliance with the applicable laws, Acts No 458/2000 (Energy Act), No 526/1990 (Act on Prices), No 634/1992 (Act on Consumer Protection), and No 552/1991 (Act on State Control) and for non-compliance with the Office's price decisions effective in the year under review. The other part contains operating advance payments to suppliers amounting to CZK 1,094,730 and a receivable from an employee of CZK 4,590. As at 31 December 2013, the Office did not record any trade receivables.

As at 31 December 2013, **liabilities totalled CZK 57,598,100**. They included liabilities to employees, liabilities under social security and health insurance and income tax liabilities related to employees totalling CZK 12,082,830, resulting from wage accounting for December 2013, which were paid on the payday on 10 January 2014. Liabilities also included the Energy Regulation Fund, CZK 45,444,390, the balance in the payment card account at ČSOB, a.s., CZK 980, and the balance of the allocation to FKSP for 2013, CZK 69,900. The Office had no payables to suppliers; suppliers' invoices received by the Office before the end of 2013 were paid. The Office had no overdue liabilities as at 31 December 2013.

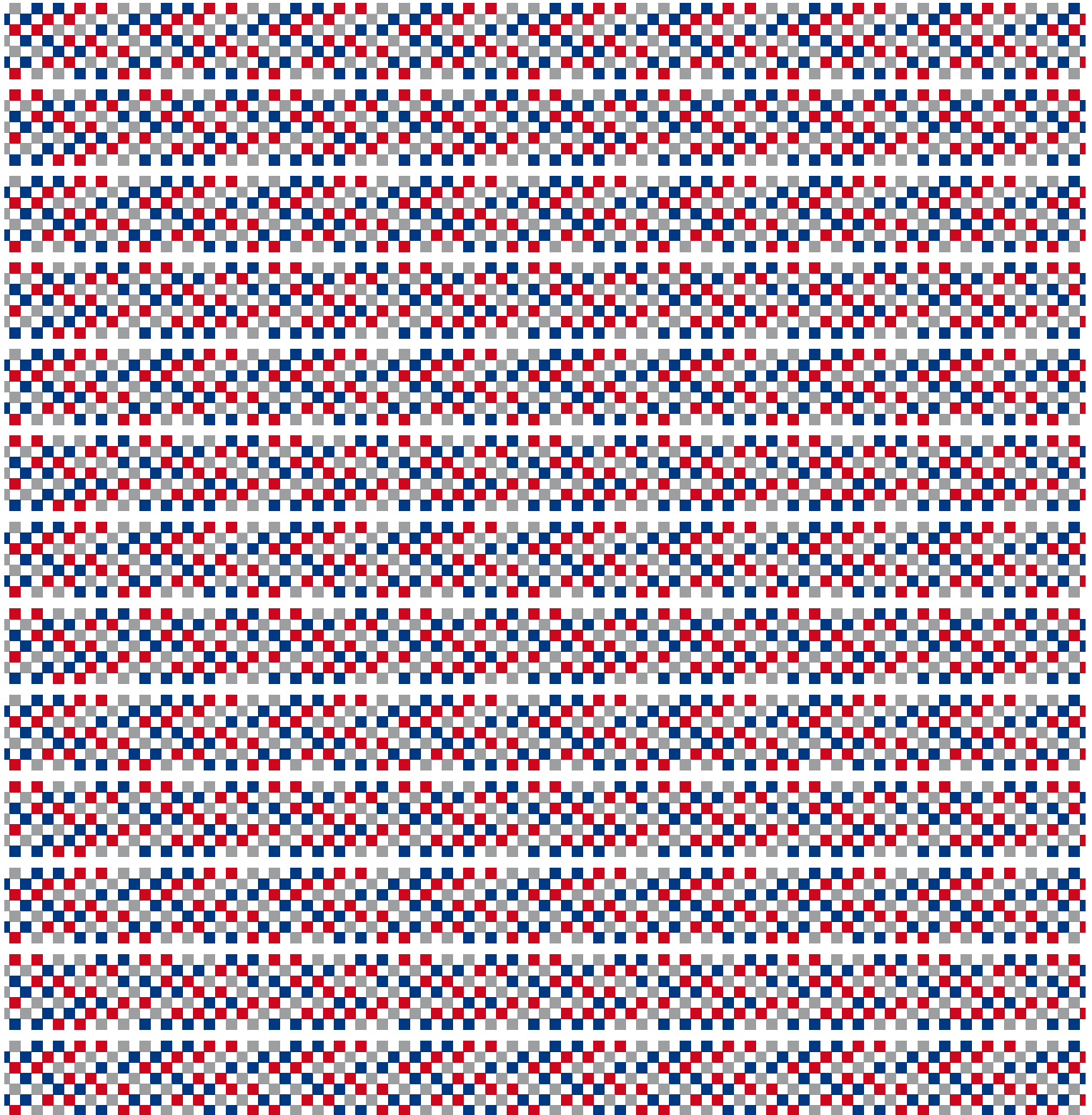
6.7 Meeting of mandatory targets

The Office complied with all the mandatory targets. The planned amount of funds was not exceeded under any of the mandatory targets without approval, see Table 17.

Table 17 Meeting of mandatory targets

Mandatory targets	Approved budget [CZK]	Budget after changes [CZK]	Final budget of income and expenses [CZK]	Actual [CZK]	Percentage 4/3 [%]
	1	2	3	4	5
Aggregate targets					
Total income	205,967,000	205,967,000	205,967,000	216,799,870	105.26
Total expenditure	198,950,000	198,950,000	206,451,000	177,124,950	85.80
Specific targets – income					
Tax revenues	201,467,000	201,467,000	201,467,000	210,341,670	104.41
Non-tax revenues, capital revenues and accepted transfers	4,500,000	4,500,000	4,500,000	6,458,200	143.52
of which: income from EU budget w/o CAP, total	0	0	0	0	0
other non-tax income	4,500,000	4,500,000	4,500,000	6,458,200	143.52
Specific targets – expenditure					
Outlays to support the ERO's tasks	198,950,000	198,950,000	206,451,000	177,124,950	85.80
Standard targets					
Salaries for employees and other payments for work	85,989,000	85,989,000	88,090,000	88,067,260	99.97
Salaries for employees under employment contract	82,322,000	82,322,000	84,322,000	84,321,940	100.00
Salaries for employees under employment contract derived from salaries of constitutional officials	1,569,000	1,569,000	1,569,000	1,558,760	99.35
Statutory insurance premiums paid by the employer	29,236,000	29,236,000	29,916,000	29,657,590	99.14
Allocation to the Fund of Cultural and Social Needs (FKSP)	839,000	839,000	859,000	858,970	100.00
Arrangements for crisis situations under Act No 240/2000	0	0	0	0	0
Total outlays co-financed from the EU budget w/o CAP	0	0	0	0	0
of which: from the national budget	0	0	0	0	0
share from the EU budget	0	0	0	0	0
Total expenses recorded in the EDS/SMVS programme financing information system	37,880,000	36,000,000	40,628,000	25,910,100	63.77

7/ Internal oversight system



7 Internal oversight system

7.1 External inspections

In 2013, one outside inspection of the Office was carried out. It was conducted by the District Social Security Administration in Jihlava. No deficiency was found and no overpayment or arrears on premiums and contributions were identified.

7.2 Internal oversight and internal audit

Complying with the wording and requirements of Act No 320/2001 on financial control in public administration and amending certain laws, as amended the Office has an independent internal audit unit, organisationally separate from the managerial and executive functions and directly reporting to ERO Chairwoman.

The functional independence of the Internal Audit Unit is fully and permanently provided for in the Internal Audit Statute and the Code of Ethics for Internal Auditors, which is a part of the Office's Rules of Organisation. In its work, the Internal Audit Unit follows the rules of the International Standards for the Professional Practice of Internal Auditing and the methodology of the Ministry of Finance for internal audit performance.

In 2013, the Internal Audit Unit was not given any other operating or managerial functions at variance with the independent pursuance of internal audit's assignments and objectives or impairing its independence.

The Internal Audit Unit's operation followed the Internal Audit Plan for 2013, approved by ERO Chairwoman, and carried out assignments given *ad hoc*. The Internal Audit Plan for 2013 was based on the Mid-term Internal Audit Plan for 2012-2014. The baseline was the risk maps compiled by the Office's technical units. Results of audits and the monitoring of measures from preceding years were also used.

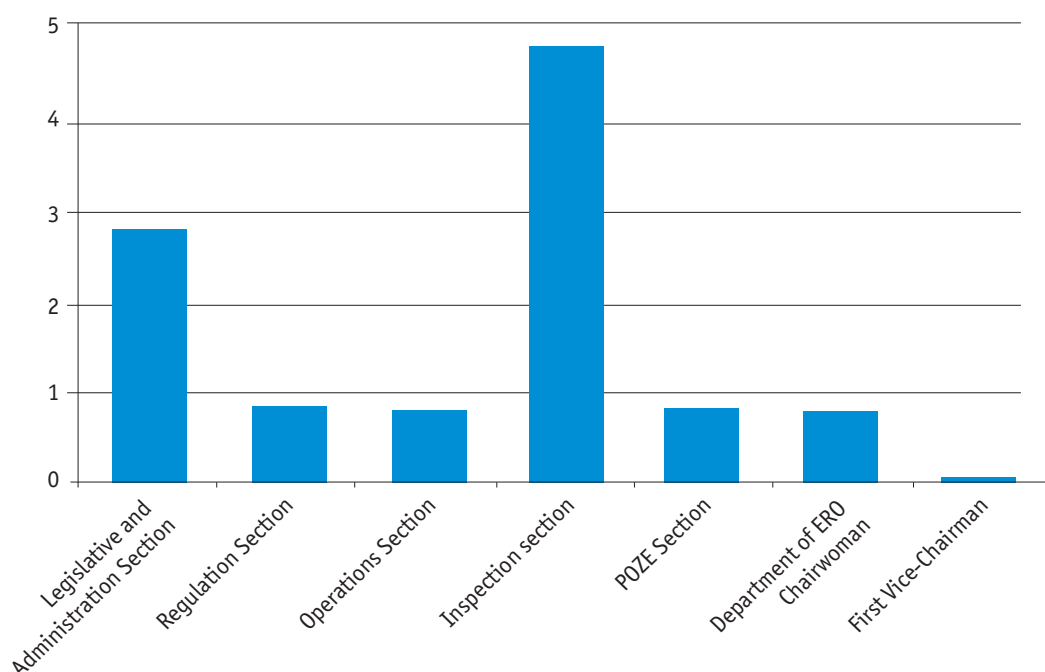
Over and above the Annual Internal Audit Plan for 2013, ERO Chairwoman authorised the Internal Audit Unit under Act No 320/2001, to carry out audit actions at the level of extraordinary audits and reviews that were a priority for the Office in that year.

Audit and review actions focused on checking risk management systems, compliance with the required procedures in public contract awarding and implementation, accounting documents as to accuracy, conclusiveness and completeness, adherence to administrative time limits, fight against corruption, ISMS, and on checking the efficacy and efficiency of the operations carried out in each process in line with the Office's objectives, needs and mission under Act No 458/2000, the Energy

Act. The internal control system and mechanisms in place, and their settings and efficiency, were also audited. Each of the audit actions used the information in reports on findings of the audits carried out in 2012.

The Internal Audit Unit carried out six planned audit actions and five extraordinary audit actions and reviews in 2013. The number of audit actions in each of the sections is shown in Chart 22.

Chart 22 Number of audit actions carried out in each section



These audit actions mainly emphasised compliance with legislation and internal regulations, reflection of laws and regulations in the Office's internal regulations, protection of public funds against risks and irregularities and other shortcomings, and reviewing the economy, efficiency and efficacy of using the public funds spent on the Office's operations and performance.

Recommendations for addressing the various audit findings identified in 2013 were proposed; they were most frequently directed towards risk prevention, improvements in the management of the Office's operating and financial activities, and boosting the efficiency of the review and oversight mechanisms, in particular the following:

- updates of the oversight mechanisms in place and increasing the efficiency of financial management and control within the remit of the Office's managerial and executive functions, in line with the law on financial control;
- public procurement in compliance with Act No 137/2006 on public procurement;
- non-compliance of working procedures and activities with the law;
- updates and amendments of internal directives;
- discrepancies between the performance of activities and documented internal procedures.

The internal audits and reviews resulted in 23 recommendations. The recommendations proposed for eliminating the shortcomings identified were accepted by the audited parties in agreement, approved by ERO Chairwoman, and translated into specific and targeted measures with deadlines. The particular findings of the audits and reviews do not have any impact on the working of the system as a whole.

The internal audit actions did not identify any shortcomings materially jeopardising or preventing the meeting of the Office's main tasks and objectives or significantly influencing the proper administration and management of public funds, and/or constituting reasons for any deterioration in the Office's financial performance.

No serious shortcomings such as suspicion of minor offences or criminal offences were identified. No opportunities for corruption or fraud were registered.

In addition to audit, the Internal Audit Unit carried out consulting and advisory activities in the area of financial control and the filing and archiving service, and participated in the commenting procedure related to the development and update of internal regulations, in risk management, in exchanges of experience, and in the implementation of good practice at the Office.

The Internal Audit Unit draws up Reports on the Results of Financial Controls for the Ministry of Finance for the relevant year. It evaluated the summary results of internal audit in the Annual Report on the Results of Internal Audit for 2013, which was submitted to the Office's management, including an evaluation of the implementation of the measures adopted.

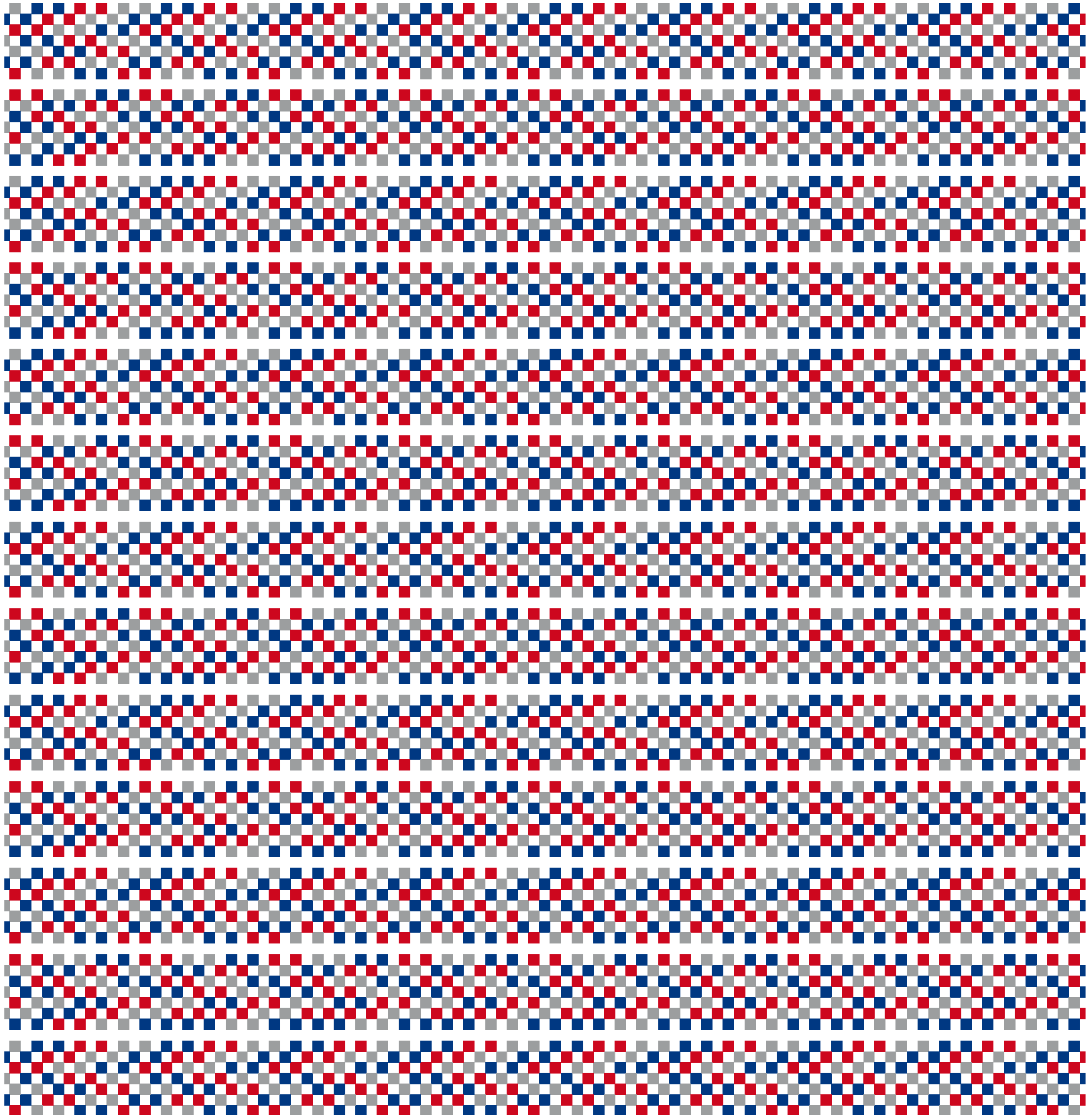
The Internal Audit Unit's findings helped to improve the efficiency of financial management and compliance with generally applicable legislation and internal regulations. The internal audits and reviews also showed that the identified shortcomings did not have a systemic nature. The measures resulted in improvements and an added value as regards compliance with legislation and internal regulations and protection of public funds, and in better performance, processes and procedures in the Office's activities.

The other component of the internal oversight system is management inspections carried out by managerial personnel under their powers and competences. In connection with working duties, compliance with Act No 320/2001 on financial control is continuously being ensured, i.e. *ex ante*, ongoing, and *ex post* inspections are carried out. The principles of *ex ante*, ongoing, and *ex post* management inspections are incorporated in the Office's internal organisational and management regulations.

The main purpose of both components of the internal oversight system (internal audit and management inspections) is to prevent risks and mitigate threats. In its activities, the Office also follows other provisions of the law on financial control. It prepares risk maps, plans and carries out internal audits, uses three tiers of management inspection, allocates responsibilities to managerial personnel, considers recommendations of internal audit, adopts measures to remedy the shortcomings identified, and continuously checks and updates internal steering documents.

In conclusion it can be noted that the internal control and oversight system in place is sufficiently efficient and provides reasonable assurance that public expenditure reported in the national budget was used in accordance with external and internal regulations.

Appendix 1



Administrative proceedings, an overview

1 Administrative proceedings completed in 2013 – Approval and Adversarial Proceedings Department

1.1 Adversarial proceedings in 2013

THE ELECTRICITY INDUSTRY

In 2013, forty administrative proceedings were concluded in the electricity industry. It can be noted in this respect that a number of licence holders and customers, or their representatives, continue to approach the Office with motions for initiating adversarial administrative proceedings in this area. In 2013, the trend from preceding periods continued as regards the workload on the Office caused by adjudicating disputes in the electricity industry, which remains (in terms of the number of disputes) the most prominent part of the adjudication agenda. This indicates, in general, a stable number of adjudicated disputes compared with preceding years, always depending on the legislation and technical measures adopted in the electricity industry.

The motions for the Energy Regulatory Office to adjudicate disputes mainly related to

- a) disputes over the execution of one of the agreements under the Energy Act, mainly agreements on the connection of new renewable electricity generating plants to the distribution system (Section 50(3) of the Energy Act) and agreements on electricity supply executed for the purpose of the payout of support for renewable electricity (Section 50(1) of the Energy Act);
- b) disputes over support for electricity generation from renewable energy sources, in particular photovoltaic plants, where the subject matter of the disputes was the issue of determining the moment of the commissioning of the electricity generating plant and the related amount of the support for renewable electricity generation in the form of feed-in tariffs or green premiums;
- c) disputes over compensation for failure to keep the set standards of the quality of supply and services in the electricity industry.

It is to be clarified at this point that until the end of 2012, the Office adjudicated disputes over support for renewable electricity generation, and the related issues, on the basis of its purview under Section 17(7)(d) of the Energy Act. As of 1 January 2013, the date of effect of Act No 165/2012 on supported energy sources, the above purview was replaced with a broader remit to decide under Section 52 of Act No 165/2012; this remit fully covers all potential disputes in

respect of supported energy sources. As of 1 January 2013, the Office decides the following under Section 52 of Act No 165/2012: “(1) disputes over support for renewable electricity, electricity from secondary sources or electricity from high efficiency combined heat and power generation, support for distributed electricity generation, support for heat and support for biomethane; (2) other disputes the subject matter of which is the meeting of a financial obligation imposed by or agreed under this law, or the obligation to return support unlawfully received, pursuant to Section 51.”

‘Consumer disputes’ within the meaning of Section 17(7)(e) of the Energy Act constitute an important adjudicating activity. The Office is being increasingly approached by household customers taking electricity and gas, with typical questions on electricity and gas supplier switching, problems related thereto, and, most recently, motions for bringing adversarial administrative proceedings. There are good reasons to expect the number of these disputes to continue rising.

Overview of adjudicated disputes:

ONIVON a.s. v ČEZ Distribuce, a.s.

Dispute over the connection of a facility, a local distribution system, to the distribution system, concerning the emergence of the obligation to share in the payment of the DSO’s justifiable costs incurred in connecting the facility to that distribution system. The motion was fully rejected mainly on the grounds that the administrative proceedings clearly showed that the petitioner was not relieved of the obligation to pay its share of the justifiable costs incurred in the connection and availability of the required power.

ALOFY s.r.o. v ČEZ Distribuce, a.s.

Dispute over the connection of an electricity generating facility to the distribution system. The motion was rejected on the grounds of the booked capacity ceasing to exist.

AUTO ŠÍDLLO s.r.o. v ČEZ Distribuce, a.s. and OTE, a.s.

Dispute over support for renewable electricity sources. Administrative proceedings under Section 66(1)(a) of the Rules of Administrative Procedure were discontinued on the grounds of the withdrawal of the motion for proceedings to be brought.

LASSELSBERGER, s.r.o. v ČEZ Distribuce, a.s.

Dispute over the meeting of obligations under contracts between licence holders under the Energy Act in cases in which a court would otherwise be competent to decide the dispute unless all parties to the proceedings consent to the Office’s competence to decide such dispute. The administrative proceedings were discontinued under Section 66(1)(b) of the Rules of Administrative Procedure because the motion was manifestly inadmissible. At the moment when the proceedings were initiated, the petitioner did not hold a licence for business in energy industries.

Mr Pavel Berčík v CENTROPOL ENERGY, a.s.

Dispute over the duration and discharge of a legal relationship the subject matter of which was electricity supply. During the proceedings, the dispute was resolved amicably, and the motion therefore became obviously irrelevant. The Office therefore discontinued the proceedings under Section 66(1)(g) of the Rules of Administrative Procedure.

Mrs Ladislava Hamouzová v ČEZ Prodej, s.r.o. and České Energetické Centrum a.s.

Dispute seeking a declaration of whether the legal relationship between the customer and the licence holder, the subject of which was electricity supply or distribution, emerged or was discharged. The motion was granted in part on the grounds of proving the fact that the petitioner did not execute the relevant contract with České Energetické Centrum a.s. In the part concerning the delivery of a decision that the electricity supply contract (including the power of attorney) was forged, the motion was not proceeded with under Section 43(1)(b) of the Rules of Administrative Procedure.

NEMO STODOLA Planá s.r.o. v ČEZ Distribuce, a.s.

Dispute over the connection of a facility (electricity generating plant) to the distribution system, i.e. execution of a connection contract. Administrative proceedings under Section 66(1)(c) of the Rules of Administrative Procedure were discontinued due to failure to remedy material defects in the motion, which prevented the proceedings from being continued.

Mr Václav Götz v ČEZ Distribuce, a.s.

Dispute over the connection of a facility (electricity generating plant) to the distribution system. The administrative proceedings were discontinued under Section 66(1)(g) of the Rules of Administrative Procedure, because the motion became obviously irrelevant.

Mr Jiří Vacek v ČEZ Distribuce, a.s.

Dispute over the connection of a facility (electricity generating plant) to the distribution system. The administrative proceedings were discontinued under Section 66(1)(g) of the Rules of Administrative Procedure, because the motion became obviously irrelevant.

Mr Josef Šmoldas v ČEZ Distribuce, a.s. and ČEZ Prodej, s.r.o.

Dispute over the curtailment, interruption or resumption of electricity supply or distribution due to illegal consumption. The motion was rejected for the petitioner's lack of standing.

FVE Semanín Czech Republic s.r.o. v OTE, a.s. and ČEZ Prodej, s.r.o.

Dispute over support for renewable electricity. The motion was rejected because a different amount of support than the one set out in the relevant price decision for this particular plant had not been awarded.

COMMERCIAL SERVICE K+K, s.r.o. v OTE, a.s.

Dispute over support for renewable electricity. Administrative proceedings under Section 66(1)(c) of the Rules of Administrative Procedure were discontinued for the failure to remedy the material defects in the motion, which prevented the proceedings from being continued.

Mr Jan Libus v ČEZ Distribuce, a.s.

Dispute over support for renewable electricity. The motion seeking the award of a different amount of support was rejected because the petitioner did not meet the conditions for the award of support specified for plants commissioned between 1 January 2012 and 31 December 2012.

Mr Dalibor Vašák v ČEZ Distribuce, a.s.

Dispute over the connection of a facility (electricity generating plant) to the distribution system. The motion was rejected on the grounds of a conclusive shortage in the facility for distribution (the permissible change in voltage up to 3% was exceeded).

Mr Ivan Přerovský v ČEZ Distribuce, a.s.

Dispute over the execution of a connection agreement between the licence holder and the customer. The motion was rejected on the grounds of a conclusive shortage in the facility for distribution.

Mrs Bohuslava Suchánková v ČEZ Distribuce, a.s.

Dispute over the connection of a facility (supply point) to the distribution system. Administrative proceedings were discontinued under Section 66(1)(g) of the Rules of Administrative Procedure, because the motion became obviously irrelevant.

Mr Stanislav Mazánek v ČEZ Distribuce, a.s.

Dispute over the connection of a facility (supply point) to the distribution system. Administrative proceedings were discontinued under Section 66(1)(g) of the Rules of Administrative Procedure, because the motion became obviously irrelevant.

Mr Tomáš Roth v ČEZ Prodej, s.r.o.

Dispute between a customer and the licence holder over the meeting of obligations under an agreement on electricity supply or distribution. The motion was rejected because the metering instrument recorded total electricity consumption at the supply point correctly when it registered consumption at the low rate only, and the defect therefore did not affect the accuracy of metering.

D-K zemědělská a.s. v ČEZ Distribuce, a.s.

Dispute over the connection of a facility (electricity generating plant) to the distribution system. The motion was rejected on the grounds of lack of standing to file a motion containing the specified relief (the specified subject matter).

Mr Zdeněk Živný v CENTROPOL ENERGY, a.s.

Dispute over a declaration of whether the legal relationship between the customer and the licence holder, the subject matter of which was electricity supply or distribution, was discharged. The motion was granted because it was proved that the agreements on bundled electricity supply services were not extended.

Mrs Ludmila Hradilová v ČEZ Prodej, s.r.o. and SVT Group, a.s.

Mrs Ludmila Hradilová sought a declaration that the legal relationship on bundled electricity supply services between her and ČEZ Prodej, s.r.o. had come into existence on a certain day and continued to last and also that the agreement on bundled electricity supply services between her and SVT Group, a.s. had been discharged. Since the petitioner duly documented her claims, and the parties' claims were identical as to the relevant facts, the Office granted her motion.

Mr Richard Eller v E.ON Energie, a.s.

Mr Richard Eller sought a declaration on the continued existence of the legal relationship, the subject matter of which was electricity supply and distribution, between him and E.ON Energie, s.r.o. The Office rejected the motion because in relation to the supply point in question, a valid and effective agreement on bundled electricity supply services of another entity existed and the petitioner did not have the right to terminate that contractual relationship on his own as a third party; the agreement on bundled electricity supply services between the petitioner and respondent had been null and void *ex tunc*.

Mr Aleš Zeman v CENTROPOL ENERGY, a.s.

Mr Aleš Zeman sought a declaration that the contractual relationship the subject matter of which was electricity supply and distribution, between him and CENTROPOL ENERGY, a.s., had been discharged, as he had duly terminated the agreement and the respondent should not refer to contract terms that had not been part of the agreement at the time of execution. Since during the course of the administrative proceedings the petitioner and respondent arrived at an amicable resolution of the dispute over the discharge of the contractual relationship, the Office discontinued the administrative proceedings under Section 66(1)(g) of the Rules of Administrative Procedure because the motion became obviously irrelevant.

Mrs Milena Kočvarová v SVT Group, a.s.

The subject matter of the dispute was a declaration on whether or not the legal relationship, the subject matter of which was electricity supply and distribution, had been discharged. During the course of the administrative proceedings it was proved that the contractual relationship between the petitioner and respondent had been discharged for the subsequent unfeasibility of performance, and the Office therefore had to decide that the contractual relationship had been discharged.

Františkolázeňská výtopna, s.r.o. v ČEZ Distribuce, a.s.

The subject matter of the administrative proceedings was a dispute over the connection of an electricity generating plant to the distribution system operated by ČEZ Distribuce, a.s.

Františkolázeňská výtopna, s.r.o. demanded that the respondent connect the electricity generating plant on the basis of a letter of intent between the parties. Since it was proved that the letter of intent was discharged by the satisfaction of a condition subsequent, the Office rejected the motion of Františkolázeňská výtopna, s.r.o.

Mrs Jaroslava Vilscherová

The petitioner sought a decision on the emergence of a legal relationship the subject matter of which was electricity supply and distribution. However, the motion for bringing administrative proceedings contained defects that prevented the proceedings from being continued (specifically, the petitioner failed to designate the respondent as a party to the administrative proceedings). The petitioner did not even remedy the defects in her motion despite a request to do so, and the Office therefore discontinued the administrative proceedings under Section 66(1)(c) of the Rules of Administrative Procedure.

Mr Ladislav Lemberk v ČEZ Distribuce, a.s. and ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over the obligation of ČEZ Distribuce, a.s. to connect electrical equipment, specified by the petitioner, under a connection agreement and also a dispute over the obligation of ČEZ Prodej, s.r.o. to resume electricity supply to the same electrical equipment under an agreement on bundled electricity supply services. During the course of the administrative proceedings it was proved that the electrical equipment already had been connected (under a valid and effective connection agreement established with finality for the benefit of another entity in earlier administrative proceedings). It was also proved that due to the connection of the electrical equipment in favour of another entity, the agreement on bundled electricity supply services, which the petitioner invoked, had also been discharged. The Office therefore rejected the motion in full.

Mr Jiří Beneš v ČEZ Prodej, s.r.o.

Mr Jiří Beneš filed a motion for administrative proceedings, which indicated that he sought a certain authoritative decision in his dispute with ČEZ Prodej, s.r.o. However, the petitioner's submission did not make clear at all what exactly he was seeking; it was only from the attached correspondence that it was feasible to deduce that the petitioner was contesting the day on which the contractual relationship discharged. The petitioner was repeatedly requested to remedy the material defects in his motion, which prevented the proceedings from being continued. However, despite requests and advice, he did not do so, and therefore failed to specify clearly, definitely and understandably what he was actually seeking, and the Office therefore could not but discontinue the administrative proceedings under Section 66(1)(c) of the Rules of Administrative Procedure.

Mrs Marie Suchá v ČEZ Distribuce, a.s.

The subject matter of the administrative proceedings was a dispute over the obligation of ČEZ Distribuce, a.s. to execute with Mrs Marie Suchá an agreement on the connection of electrical equipment to the distribution system. The parties were in dispute over the erection of a power supply line for connecting the electrical equipment and the payment of the related costs (the petitioner refused to erect the power supply line at her own cost). During the course of the administrative proceedings it was proved that erecting a power supply line to connect the electrical equipment to the distribution system would have entailed passing the line outside a built-up area over a distance of more than 50 m; the costs of erecting the power supply line were therefore up to the petitioner. The Office therefore rejected the petitioner's motion; the respondent was not obliged to execute with the petitioner an agreement on the connection of the equipment in the wording of the appendix to the motion, in which the petitioner demanded a declaration confirming precisely the DSO's obligation to erect a power supply line at its own cost as part of its obligation to connect the petitioner's equipment to the distribution system.

Mr Václav Řezníček v ČEZ Prodej, s.r.o.

Mr Václav Řezníček demanded in his submission that the Office order ČEZ Prodej, s.r.o. to stop billing the charge for support of renewable electricity and revoke already promulgated ERO Price Decision No 5/2012. Since no administrative authority had the jurisdiction to deal with his submission, the Office decided not to proceed with his case under Section 43(1)(b) of the Rules of Administrative Procedure.

FVE Petrovice a.s. v E.ON Distribuce, a.s.

Dispute over support for renewable electricity (a 3.311 MW photovoltaic plant) and the execution of the related electricity supply agreement. The petitioner sought a declaration that since 20 December 2010, he had been entitled to support for electricity generated in his plant, in the amount applicable to over 30 kW plants commissioned between 1 January 2010 and 31 December 2010, and an obligation to be imposed on E. ON Distribuce, a.s. to enter into the related electricity supply agreement with the petitioner. The motion was fully rejected mainly because the administrative proceedings clearly showed that the petitioner's 3.311 MW plant had not been commissioned in 2010 and that 20 December 2010 it had not become entitled to support in the amount applicable to plants commissioned in 2010.

MEDSKA, s.r.o. and Lesy JEZEŘÍ, k.s. v ČEZ Distribuce, a.s.

The subject matter of the administrative proceedings was a dispute over the execution of an agreement on the connection of an electricity generating plant, a 39 MW wind farm, to the distribution system of ČEZ Distribuce, a.s. During the proceedings the parties expressed their will to resolve the dispute amicably, and to this end the administrative proceedings were stayed several times upon the petitioners' request and with the respondent's consent. Following the last stay, the petitioners did not express their will to continue in the proceedings before the Office or to continue talks with the respondent, and their motion therefore became obviously irrelevant. The Office therefore discontinued the proceedings under Section 66(1)(g) of the Rules of Administrative Procedure.

Mr Jaroslav Šimko v ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over compensation for failure to keep the standard of the time limit for handling a complaint against an electricity bill under the public notice on the quality of electricity supply quality. The administrative proceedings were discontinued under Section 66(1)(g) of the Rules of Administrative Procedure, because the motion became obviously irrelevant.

Mr Jan Svoboda v BOHEMIA ENERGY entity, s.r.o.

The subject matter of the administrative proceedings was a dispute over a declaration of whether a legal relationship on electricity supply, established by an unspecified agreement, still lasted. Administrative proceedings were discontinued under Section 66(1)(c) of the Rules of Administrative Procedure due to failure to remedy material defects in the motion, which prevented the proceedings from being continued.

SOLPS s.r.o. v ČEZ Distribuce, a.s.

The subject matter of the administrative proceedings was a dispute over the connection of an installation to the distribution system. Since during the course of the administrative proceedings it was proved that the connection agreement had been discharged by virtue of the respondent rescinding the agreement due to SOLPS's failure to meet its obligation to pay one half of the costs, the Office rejected the motion.

Mrs Daniela Mandlová v České Energetické Centrum a.s.

The subject matter of the administrative proceedings was a dispute over the meeting of obligations under an agreement on bundled electricity and gas supply services. Administrative proceedings

were discontinued under Section 66(1)(c) of the Rules of Administrative Procedure due to failure to remedy the material defects in the motion, which prevented the proceedings from being continued.

MATIRE Invest a.s. v ČEZ Distribuce, a.s.

The subject matter of the administrative proceedings was a dispute over the payment of support for renewable electricity. Since during the course of the administrative proceedings it was proved that MATIRE Invest a.s. was entitled to support for electricity generation in the amount applicable to plants commissioned in 2011 rather than in 2010, as the petitioner demanded, the Office rejected the motion.

Mr David Myška v ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over the payment of the difference between the feed-in tariff and the green premium for renewable electricity. Since during the course of the administrative proceedings it was proved that Mr David Myška was not entitled to the payment of the difference between the feed-in tariff and the green premium, the Office rejected the motion.

Mr Martin Votruba v ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over the payment of the difference between the feed-in tariff and the green premium for renewable electricity. Since during the course of the administrative proceedings it was proved that Mr Martin Votruba was not entitled to the payment of the difference between the feed-in tariff and the green premium, the Office rejected the motion.

Mrs Soňa Pulcová v ČEZ Distribuce, a.s.

The subject matter of the administrative proceedings was a dispute over compensation for failure to keep the standard applicable to the provision of an opinion on an application for the connection of a photovoltaic electricity generating plant to the distribution system. Since in the proceedings ČEZ Distribuce, a.s. failed to bear the burden of proving its claim that it had sent the opinion in response to Mrs Soňa Pulcová's application for the connection of the plant, the Office granted Mrs Soňa Pulcová's motion for the payment of the compensation for failure to keep the above standard.

THE GAS INDUSTRY

In the gas industry, where the smallest number of disputes has been tackled for many years, seven administrative proceedings were concluded in 2013, a few more than in 2012. One of the cases concerned compensation for failure to keep the standard applicable to the time limit for handling complaints against gas supply billing, another case concerned gas supply interruption/curtailment due to illegal gas consumption and the remaining cases were consumers' disputes concerning gas supply to households, or the contractual relationships on this subject matter.

Overview of adjudicated disputes:

Mrs Ludmila Hradilová v Severomoravská plynárenská, a.s. and SVT Group, a.s.

Mrs Ludmila Hradilová sought a decision that the contractual relationship on bundled gas supply services between her and Severomoravská plynárenská, a.s. emerged on a certain day and continued to last, and that the contractual relationship on bundled gas supply services between her and SVT Group, a.s. had been discharged. Since the petitioner duly documented her claims, and the parties' claims were identical as to the relevant facts, the Office granted the petitioner's motion.

Mrs Milena Kočvarová v SVT Group, a.s.

The subject matter of the administrative proceedings was a dispute over the determination of whether the legal relationship, the subject matter of which was gas supply and distribution, had been discharged. Since during the course of the administrative proceedings it was proved that the contractual relationship between the petitioner and respondent had been discharged for the subsequent unfeasibility to perform, the Office had to decide that the contractual relationship had been discharged.

Mrs Marie Jirková v České Energetické Centrum a.s.

Mr Marie Jirková filed a motion for administrative proceedings to seek a decision that the contractual relationship the subject matter of which was gas supply and distribution, between her and České Energetické Centrum a.s., had been discharged. The Office rejected the motion as it was proved that the petitioner had rescinded the agreement without satisfying the conditions in the agreement, i.e. did so for reasons that were not agreed in the agreement (Section 48 of the Civil Code).

Mrs Pavla Michalíková v E. ON Energie, a.s.

Mrs Pavla Michalíková filed a motion for administrative proceedings to seek a decision that the contractual relationship the subject matter of which was gas supply and distribution, between her and E. ON Energie, a.s., had been discharged. However, during the administrative proceedings the petitioner withdrew her motion and the respondent consented to the withdrawal, and the Office therefore discontinued the administrative proceedings under Section 66(1)(a) of the Rules of Administrative Procedure.

Mrs Svatava Maternová v České Energetické Centrum a.s.

The subject matter of the administrative proceedings was a dispute over compensation for failure to keep the standard applicable to the time limit for handling a complaint against gas supply billing. The administrative proceedings were discontinued under Section 66(1)(g) of the Rules of Administrative Procedure, because the motion became obviously irrelevant.

Mrs Daniela Mandlová v České Energetické Centrum a.s.

The subject matter of the administrative proceedings was a dispute over obligations under an agreement on bundled services of electricity and gas supply. Administrative proceedings were discontinued under Section 66(1)(c) of the Rules of Administrative Procedure for failure to remedy the material defects in the motion, which prevented the proceedings from being continued.

Mr Vladimír Fára v ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over an interruption/curtailment of gas supply due to illegal consumption and also a dispute over obligations under an agreement on bundled gas supply services. Since it was proved that ČEZ Prodej, s.r.o. had proceeded in line with the Gas Market Rules, and the inclusion of the petitioner's supply point in an offtake band had been effected lawfully, ČEZ Prodej, s.r.o. had the right to demand that Mr Vladimír Fára pay the arrears for gas in accordance with the billing and also that he pay for breaching his payment obligation, specifically a contract penalty for justified reminders. The Office therefore rejected the motion.

THE HEATING INDUSTRY

In the heating industry, 2013 saw the conclusion of ten administrative proceedings, which means just a few more than in 2012 as in the case of the gas industry. Most of the disputes concerned the execution of agreements on thermal energy supply, but some of the cases involved disputes over the curtailment/interruption of thermal energy supply due to illegal consumption. A new issue in this area was one administrative proceeding concerning obligatory buyout of heat from RES.

Overview of adjudicated disputes:

SoLo sport and TUV, spol. s r.o. v Šluknov Appartements s.r.o.

The motion for administrative proceedings was filed by the thermal energy supplier as the holder of a licence for thermal energy production and distribution, in the case of a dispute over the execution of a pricing addendum for 2013 to the thermal energy supply agreement. The Office discontinued the administrative proceedings under Section 66(1)(b) of the Rules of Administrative Procedure, because the motion was evidently legally inadmissible (thermal energy suppliers are not persons having the standing to file motions for administrative proceedings on matters of disputes over the execution of thermal energy supply agreements or any of the essentials thereof).

Šluknov Appartements s.r.o. v SoLo sport and TUV, spol. s r.o.

Through this motion for administrative proceedings the petitioner requested the Office to decide on the merits of the case of the accuracy of the billing for heat supply in 2011 by SoLo sport and TUV, spol. s r.o. The Office discontinued the administrative proceedings under Section 66(1)(b) of the Rules of Administrative Procedure, because the motion was evidently legally inadmissible (legislation does not make it possible to consider the petitioner's request; the Office is not, in adversarial administrative proceedings, competent to deliver binding decisions on the accuracy of the billing of thermal energy supply by the relevant thermal energy supplier for a certain period).

KOMTERM, a.s. v Teplárna Písek, a.s.

The subject matter of the administrative proceedings was a dispute over the mandatory buyout of the heat produced by the petitioner from RES, by Teplárna Písek, a.s. (under Section 27 of Act No 165/2012), or a decision to impose an obligation on Teplárna Písek, a.s. to buy out the heat produced by the petitioner from RES and execute with the petitioner the related thermal energy supply agreement. In the administrative proceedings it was proved that had Teplárna Písek, a.s. been buying out the heat produced by the petitioner, the total costs of heat would have increased for the current customers of this thermal energy distribution licence holder, and therefore Teplárna Písek, a.s. did not (referring to Section 27(2)(c) of Act No 165/2012) incur the obligation to buy out RES heat from the petitioner. The Office therefore rejected the motion.

IMPULS Otrokovice s.r.o. v Teplárna Otrokovice a.s.

The motion for these administrative proceedings was filed because of the curtailment/interruption of thermal energy supply to a supply point in Otrokovice due to alleged illegal consumption. The petitioner sought a declaration that Teplárna Otrokovice a.s. did not have the right to curtail or interrupt thermal energy supply to the supply point in Otrokovice, because there was no illegal consumption caused by the petitioner's failure to pay, and the imposition on Teplárna Otrokovice a.s. of the obligation to execute with the petitioner a thermal energy supply agreement. The motion was rejected in full because the petitioner did not have a standing in the proceedings as a customer for thermal energy and the agreement on thermal energy supply to the supply point in Otrokovice had already been executed.

IMPULS Otrokovice s.r.o. v Teplárna Otrokovice a.s.

The motion for these administrative proceedings was filed because of the curtailment/interruption of thermal energy supply to a supply point in Otrokovice. Administrative proceedings were discontinued under Section 66(1)(a) of the Rules of Administrative Procedure on the grounds of the withdrawal of the motion.

Společenství vlastníků jednotek pro dům Nepelova 947; Společenství vlastníků jednotek pro dům Nepelova 948; Společenství vlastníků jednotek pro dům Nepelova 949; Společenství vlastníků jednotek pro dům Nepelova 950; Společenství vlastníků jednotek pro dům Nepelova 951; Společenství vlastníků jednotek pro dům Nepelova 952; and Společenství vlastníků jednotek pro dům Nepelova 953 v Pražská teplárenská a.s.

The subject matter of the administrative proceedings was a dispute over the execution of thermal energy supply agreements between each of the condominiums in the Nepelova Street, as thermal energy customers, and Pražská teplárenská a.s. as the thermal energy supplier. The merit of the dispute was an examination of the thermal energy price charged by Pražská teplárenská a.s., or, in fact, the examination of the method used for calculating the fixed component of the price related to the 15-minute maximum power. Since the fixed component of the price should have been – as the Office found – related to the agreed thermal energy quantity, as predominantly done in this price locality, i.e. Prague – the Prague Heating System, the Office granted the petitioners' motion and imposed on Pražská teplárenská a.s. the obligation to sign with each of the condominiums a thermal energy supply agreement in a certain specific wording, with the exception of the Společenství vlastníků jednotek pro dům Nepelova 951 condominium, whose motion was rejected because of an already existing thermal energy supply agreement containing all the essentials.

Společenství vlastníků jednotek Lípová 3522-3525 v Jablonecká teplárenská a realitní, a.s.

Administrative proceedings on a dispute over the execution of a thermal energy supply agreement were discontinued by the Office under Section 66(1)(c) of the Rules of Administrative Procedure. The petitioner failed to remedy, within a set time limit, the material defects in the motion, which prevented the proceedings from being continued.

Společenství vlastníků jednotek Na Výšině č. p. 3225, Jablonec nad Nisou v Jablonecká teplárenská a realitní, a.s.

The subject matter of the administrative proceedings was again a dispute over the execution of a thermal energy supply agreement. In this case the administrative proceedings were also discontinued, this time because the petitioner withdrew the motion and the respondent did not prove the existence of any serious reasons for which it would not consent to such withdrawal (see Section 66(1)(a) of the Rules of Administrative Procedure).

Společenství pro dům Habrová 2655, Praha 3 v Pražská teplárenská a.s.

Dispute over the execution of a thermal energy supply agreement. By its decision, the Office established a thermal energy supply agreement, rejecting the motion to the extent of matters beyond the obligatory particulars of this type of contract.

Domov důchodců Roudnice nad Labem, příspěvková organizace v Dalkia Česká republika, a.s.

The subject matter of the administrative proceedings was a dispute over the execution of a thermal energy supply agreement, or rather the pricing arrangements. Administrative proceedings were discontinued under Section 66(1)(c) of the Rules of Administrative Procedure due to failure to remedy the material defects in the motion, which prevented the proceedings from being continued.

1.2 Approval proceedings

In 2013, the Office concluded with finality 68 administrative proceedings, of which 20 in the electricity industry, 44 in the gas industry and four on the approval of the market operator's commercial terms and conditions, in approval proceedings under Section 17(7)(g) of the Energy Act (rules for the operation of the transmission system and distribution systems in the electricity industry, the market operator's commercial terms and conditions, and codes of the transmission system, storage system and distribution system operators in the gas industry) and under Section 17(8) of the Energy Act (activities of the TSO who is part of a vertically integrated gas undertaking).

In 2013, the Office also concluded with finality two administrative proceedings under Section 17(7) (i) of the Energy Act, in which it approved the ten-year plan for the development of the electricity transmission system of ČEPS, a.s. for 2014-2023 and the ten-year plan for the development of the gas transmission system of NET4GAS, s.r.o. for 2014-2023.

In 2013, the Office also concluded with finality one administrative proceeding under Section 67a of the Energy Act, concerning the approval of the rules for capacity allocation and management and congestion management at a gas installation, for a new storage capacity (underground gas storage facility) in Dambořice.

1.3 Certification

Under Section 10a of the Energy Act, the gas/electricity transmission system operator may only operate the system if it holds an independence certificate granted by the Energy Regulatory Office. Under Section 10b the Energy Act, certification is initiated upon an application filed by the gas/electricity transmission system operator, or the person intending to operate the gas/electricity transmission system, and the Office shall grant the independence certificate if the applicant proves in the certification process initiated upon the applicant's application that it meets the conditions of independence under Section 24a(2) or Sections 58a to 58n.

In 2013, the Office concluded with finality administrative proceedings on the grant of the independence certificate to NET4GAS, s.r.o. as the gas transmission system operator.

2 Administrative proceedings concluded in 2013 – Administrative Proceedings Unit

In 2013, the administrative proceedings unit conducted 177 administrative proceedings, of which 145 concerned a potential infringement of the Energy Act, 27 concerned a potential infringement of Act No 526/1990 on prices, as amended, and five concerned a potential infringement of Act No 634/1992 on consumer protection, as amended. The Office discontinued 39 administrative proceedings. Fines totalling CZK 5,088,560 were levied with finality for administrative offences. A total of 36 remonstrances [=appeals] were filed against decisions taken at the level of the first instance.

The largest number of the cases concerned damage to equipment of the gas system or the electricity grid caused by activities carried out in the protective zones of energy facilities; the Office considered 81 such cases in 2013.

In 2013, the Administrative Proceedings Unit also considered 30 minor offences of individuals.

2.1 Proceedings on fines for violations of price regulations

Inspections of the performance of the obligations laid down in Act No 526/1990 on prices, as amended, and in the regulations on prices issued under the above law, were initiated in response to customers' complaints and also on the basis of the Office's own findings.

In 2013 fines were levied on the following entities with finality.

KA Contracting ČR s.r.o.

The Office decided to levy a fine of CZK 80,000 on KA Contracting ČR s.r.o. for failing to respect the mandatory procedure, laid down by price control authorities, in setting and calculating thermal energy prices under Section 6 of the law on prices, as effective until November 2009, in negotiating the preliminary thermal energy price for the Louny price locality for 2009.

TEPLO Rumburk, s.r.o.

The Office decided to levy a fine of CZK 700,000 on TEPLLO Rumburk, s.r.o. for negotiating a preliminary thermal energy price the amount and calculation of which had not complied with cost-plus pricing under Section 6(1) of the law on prices, in the Rumburk – CZT Podhájí price locality for 2011.

H-therma, a.s.

The Office decided to levy a fine of CZK 23,756 on H-therma, a.s. for calculating and charging a thermal energy price the amount and calculation of which had not complied with cost-plus pricing under Section 6(1) of the law on prices in the Hrádek nad Nisou, Hrádek nad Nisou small boilers, Hejnice, Hejnice small boilers, Raspenava 108, Raspenava 111 and Všelibice price localities for 2010.

SMO, městská akciová společnost Orlová

The Office decided to levy a fine of CZK 298,627 on SMO, městská akciová společnost Orlová, for calculating and charging a thermal energy price the amount and calculation of which had not complied with cost-plus pricing under Section 6(1) of the law on prices in the Orlová price locality for 2010.

MWV Energie CZ a.s.

The Office decided to levy a fine of CZK 25,000 on MWV Energie CZ a.s. for failing to respect the mandatory procedure, laid down by price control authorities, in setting and calculating thermal energy prices under Section 6 of the law on prices, in negotiating the preliminary thermal energy price for the Praha 10-Za Návsí price locality for 2012.

TENZA, a.s.

The Office decided to levy a fine of CZK 11,060 on TENZA, a.s. for calculating and charging a thermal energy price the amount and calculation of which had not complied with cost-plus pricing under Section 6(1) of the law on prices in the Brno-Dornych, Škrobárny reality premises price locality for 2010.

TEPLO Oskol, s.r.o.

The Office decided to levy a fine of CZK 150,000 on TEPLLO Oskol s.r.o. for calculating and charging a thermal energy price the amount and calculation of which had not complied with cost-plus pricing under Section 6(1) of the law on prices for 2011.

SMO, městská akciová společnost Orlová

The Office decided to levy a fine of CZK 8,000 on SMO, městská akciová společnost Orlová, for failing, in contravention of Section 12(1) of the law on prices, to provide the Office, free of charge, as an authority competent in the area of prices, upon its request and in the required time, the required information on the thermal energy price in the Orlová price locality for 2013.

ELIMON a.s., Optimum Energy, s.r.o., SVT Group, a.s., Europe Easy Energy a.s., Energie2, a.s., CORASTA s.r.o., České Energetické Centrum Jih s.r.o., České Energetické Centrum a.s., X Energie, s.r.o., GLOBAL ENERGY, a.s., ČEZ Prodej, s.r.o., Eneka s.r.o., Amper Market, a.s., Pražská plynárenská, a.s., BICORN s.r.o., Nano Energies Trade s.r.o.

The Office decided to levy fines on the above companies, ranging from CZK 5,000 to CZK 80,000, for failing, in contravention of Section 13(2) of the law on prices, to meet their obligation to make available information about the final offering price of bundled electricity and gas supply services for consumer on the occasion of offering and selling bundled electricity and gas supply services, in a visible place and in the form of price lists.

2.2 Proceedings on fines for violations of the Energy Act

Inspections of the performance of the obligations laid down in Act No 458/2000, the Energy Act, as amended, were initiated in response to complaints and also on the basis of the Office's own findings.

In 2013, fines were levied with finality on the following entities:

KR OSTRAVA a.s., INSTA CZ s.r.o., KARMONT presta s.r.o., VACULA – Servis, s.r.o., ZEMASTAV s.r.o., STASPO, spol. s.r.o., GEMA MB s.r.o., SYNERVHS Vysočina, a.s., NIEVELT-Labor Praha, spol. s r.o., IMOS Brno, a.s., ALPINE Bau CZ s.r.o., ČAK CZ, s.r.o., Stanix Projekt s.r.o., PŘIBYL S-R, s.r.o., Správa majetku obce Lovčice, příspěvková organizace, HLAVA – STAVBY s.r.o., COLAS CZ, a.s., EKKL a.s., Stavitelství SIZO s.r.o., Dopravní stavby Brno, s.r.o., ELQA HRADČANY s.r.o., SILNICE ČÁSLAV – HOLDING, a.s., Inženýrské stavby Brno, spol. s r.o., FREL 2000 s.r.o., ReSpol s.r.o., NATALSTAV CZ, s.r.o., HORKON s.r.o., SWIETELSKY stavební s.r.o., POZIS-BAU s.r.o., PKS stavby a.s., Inženýrské stavby Hodonín, s.r.o., D.I.S., spol. s r.o., STRABAG a.s., Provádění staveb Olomouc, a.s., Němeček – Elektromontáž, a.s., TREPART s.r.o., RM-CZ s.r.o., DVORÁK LESY, SADY, ZAHRADY s.r.o., MATEX HK s.r.o., AQUASYS spol. s r.o., ABK - Pardubice, a.s.

The Office decided to levy fines on the above companies, ranging from CZK 4,000 to CZK 80,000, for activities in the protection zone of gas installations, thereby damaging the installations in contravention of Section 68(3) of the Energy Act.

Dalibor Seidler, Marian Pittner, David Svrček, Miroslav Žůr, Jaroslav Zámorský, Jan Doležal, Jiří Vašíček, Petr Gajdoš, Mojmír Mika, Václav Čisteký, Antonín Pustějovský, Josef Kadlček, Petr Navrátil

The Office decided to levy fines on the above sole traders, ranging from CZK 2,000 to CZK 20,000, for activities in the protection zone of gas installations, thereby damaging the installations in contravention of Section 68(3) of the Energy Act.

CGM Czech a.s.

The Office decided to levy a fine of CZK 40,000 on CGM Czech a.s. for activities in the protection zone of electricity grid installations, thereby posing risk to the reliability and safety of the operation of the electricity grid installations in contravention of Section 46(8) of the Energy Act.

ZEMĚĎELSKÁ a.s. Opava-Kylešovice

The Office decided to levy a fine of CZK 20,000 on ZEMĚĎELSKÁ a.s. Opava-Kylešovice, for activities in the protection zone of electricity grid installations, thereby damaging these installations in contravention of Section 46(12) of the Energy Act.

INSTALL CZ, s.r.o.

The Office decided to levy a fine of CZK 30,000 on INSTALL CZ, s.r.o. for activities in the protection zone of electricity grid installations, thereby damaging these installations in contravention of Section 46(12) of the Energy Act.

HORKON s.r.o.

The Office decided to levy a fine of CZK 30,000 on HORKON s.r.o. for activities in the protection zone of electricity grid installations, thereby damaging these installations in contravention of Section 46(12) of the Energy Act.

agriKomp Bohemia s.r.o.

The Office decided to levy a fine of CZK 70,000 on AgriKomp Bohemia s.r.o. for activities in the protection zone of electricity grid installations, thereby damaging these installations in contravention of Section 46(12) of the Energy Act.

Mr Tomáš Sommer

The Office decided to levy a fine of CZK 2,000 on sole trader Tomáš Sommer for activities in the protection zone of electricity grid installations, thereby posing risk to the reliability and safety of the operation of the electricity grid installations in contravention of Section 46(8) of the Energy Act.

Mr Jiří Antoš

The Office decided to levy a fine of CZK 8,000 on sole trader Jiří Antoš for activities in the protection zone of electricity grid installations, thereby posing risk to the reliability and safety of the operation of the electricity grid installations in contravention of Section 46(8) of the Energy Act.

Mr Jiří Menger

The Office decided to levy a fine of CZK 8,000 on licence holder Jiří Menger for failing, in contravention of Section 9(1) of the Energy Act, to notify the Office of a change in the conditions for licence award and all changes in the particulars and documents that constitute the essentials of the licence award application, and to apply for an amendment to the decision on licence award.

SOLAR BK s.r.o.

The Office decided to levy a fine of CZK 30,000 on licence holder SOLAR BK s.r.o. for failing, in contravention of Section 9(1) of the Energy Act, to notify the Office of a change in the conditions for licence award and all changes in the particulars and documents that constitute the essentials of the licence award application, and to apply for an amendment to the decision on licence award.

K&K Solar Energy, s.r.o.

The Office decided to levy a fine of CZK 5,000 on licence holder K&K Solar Energy, s.r.o. for failing, in contravention of Section 9(1) of the Energy Act, to notify the Office of a change in the conditions for licence award and all changes in the particulars and documents that constitute the essentials of the licence award application, and to apply for an amendment to the decision on licence award.

Onyx Energy s.r.o.

The Office decided to levy a fine of CZK 2,000 on licence holder Onyx Energy s.r.o. for failing, in contravention of Section 9(1) of the Energy Act, to notify the Office of a change in the conditions for licence award and all changes in the particulars and documents that constitute the essentials of the licence award application, and to apply for an amendment to the decision on licence award.

Onyx Energy projekt II s.r.o.

The Office decided to levy a fine of CZK 2,000 on licence holder Onyx Energy projekt II s.r.o. for failing, in contravention of Section 9(1) of the Energy Act, to notify the Office of a change in the conditions for licence award and all changes in the particulars and documents that constitute the essentials of the licence award application, and to apply for an amendment to the decision on licence award.

Bio-Teplo Czechia s.r.o.

The Office decided to levy a fine of CZK 10,000 on licence holder Bio-Teplo Czechia s.r.o. for failing, in contravention of Section 9(1) and (5) of the Energy Act, to notify the Office of a change in the conditions for licence award and all changes in the particulars and documents that constitute the essentials of the licence award application, and to apply for an amendment to the decision on licence award.

Mr Libor Pernica

The Office decided to levy a fine of CZK 10,000 on this licence holder for failure to allow the Office to exercise its authority under Section 18(4)(a) of the Energy Act to enter, to the absolutely necessary extent, third-party land or enter structures used for business activities.

SLUŽBY LIŠOV, s.r.o.

The Office decided to levy a fine of CZK 5,000 on SLUŽBY LIŠOV, s.r.o. for failing, in contravention of Section § 11(1)(e) of the Energy Act, to meet its obligation to provide the Office with true and complete information and documents required for the exercise of its authorities under the law.

Energo Strakonice s.r.o.

The Office decided to levy a fine of CZK 3,000 on Energo Strakonice, s.r.o. for failing, in contravention of Section 11(1)(e) of the Energy Act, to meet its obligation to provide the Office with true and complete information and documents required for the exercise of its authorities under the law.

JOHNSON CONTROLS INTERNATIONAL, spol. s r.o.

The Office levied a fine of CZK 15,000 on JOHNSON CONTROLS INTERNATIONAL, spol. s r.o. for failing, in contravention of Section 11(1)(e) of the Energy Act, to meet its obligation to provide the Office with true and complete information and documents required for the exercise of its authorities under the law.

TZB Kladno s.r.o.

The Office decided to levy a fine of CZK 15,000 on TZB Kladno s.r.o. for tampering, in contravention of Section (78)(3) of the Energy Act, with a metering instrument without its owner's consent.

VUSTERM, a.s.

The Office decided to levy a fine of CZK 40,000 on VUSTERM, a.s. for failing, in contravention of Section 78(1) of the Energy Act, to install a metering instrument in the boiler room, thereby breaching the obligation of holders of licences for thermal energy supply to meter, evaluate and bill on the basis of the actual parameters of the heat carrying medium and readings of their own metering instrument, which they shall install, connect, maintain, and periodically check for accuracy of measurements, at their own cost.

Q-BYT Čelákovice spol. s r.o., Alpiq Generation (CZ) s.r.o., Služby Dolní Žandov s.r.o., AVE Kralupy s.r.o., Česká obec sokolská, EC Kutná Hora s.r.o., LEMIGAS s.r.o., Město Protivín, Novoměstská teplárenská a.s., Teplo Bečov s.r.o., SILMET OIL, s.r.o.

The Office decided to levy fines on the above entities, ranging from CZK 5,000 to CZK 51,000, for failing, in contravention of Section 20(6) of the Energy Act, to provide the Office with regulatory reports 31_32-DK and 31_32-AP for 2011 and 2012, which are required for exercising its authorities under the law.

VLČEK Josef – elektro s.r.o.

The Office decided to levy a fine of CZK 5,000 on VLČEK Josef – elektro s.r.o. for failing, in contravention of Section 59(8)(x) of the Energy Act, to provide the Ministry of Industry and Trade by 1 March 2013, a report on the quality and level of maintenance of distribution system installations for 2012.

WELLNESS HOTEL a.s.

The Office decided to levy a fine of CZK 5,000 on WELLNESS HOTEL a.s. for failing, in contravention of Section 15a(1) of the Energy Act, to provide the Office, upon its request in writing, the requested documents and information required for exercising the Office's remit, by the set time limits or by the date of decision issue.

ENERGO 2000, a.s.

The Office decided to levy a fine of CZK 3,000 on ENERGO 2000, a.s. for failing, in contravention of Section 15a(1) of the Energy Act, to provide the Office, upon its request in writing, the requested documents and information required for exercising the Office's remit, by the set time limits or by the date of decision issue.

REMANA, družstvo

The Office decided to levy a fine of CZK 10,000 on REMANA, družstvo, for failing, in contravention of Section 15a(1) of the Energy Act, to provide the Office, upon its request in writing, the requested documents and information required for exercising the Office's remit, by the set time limits or by the date of decision issue.

České Energetické Centrum Jih s.r.o.

The Office decided to levy a fine of CZK 10,000 on České Energetické Centrum Jih s.r.o. for interrupting electricity supply to a customer's supply point contrary to Section 30(1)(d) of the Energy Act.

Mr Miloš Kubásek

The Office decided to levy a fine of CZK 1,000 on sole trader Miloš Kubásek for tampering with the metering instrument without the DSO's consent contrary to Section 49(4) of the Energy Act.

Společenství vlastníků Senovážná 7

The Office decided to levy a fine of CZK 10,000 on Společenství vlastníků Senovážná 7 for supplying, in contravention of Section 3(3) of the Energy Act, thermal energy from a heat generating plant for space and water heating without a licence awarded by the Office.

KOHLGAS, spol. s r.o.

The Office levied a fine of CZK 60,000 on KOHLGAS, spol. s r.o. for supplying, in contravention of Section 3(3) of the Energy Act, thermal energy from a heat generating plant for space and water heating without a licence awarded by the Office.

ČEZ Prodej, s.r.o.

The Office decided to levy a fine of CZK 30,000 on ČEZ Prodej, s.r.o. for interrupting electricity supply to a customer's supply point contrary to Section 30(1)(d) of the Energy Act.

RWE Energie, s.r.o.

The Office decided to levy a fine of CZK 50,000 on RWE Energie, s.r.o. for interrupting natural gas supply to a customer's supply point contrary to Section 61(1)(d) of the Energy Act.

FOREMANS s.r.o.

The Office decided to levy a fine of CZK 10,000 on FOREMANS s.r.o. for its director carrying out, in contravention of Section 28(3) of the Energy Act, an illegal intervention with consuming electrical equipment through which unmetered electricity flows, without the DSO's consent.

2.3 Proceedings on fines for violations of the consumer protection law

Inspections of the performance of the obligations laid down in Act No 634/1992 on consumer protection, as amended, were initiated in response to consumers' complaints.

In 2013, fines were levied with finality on the following entities:**České Energetické Centrum a.s.**

The Office decided to levy a fine of CZK 30,000 on České Energetické Centrum a.s. for using, in contravention of Section 4(3) of the law on consumer protection, aggressive commercial practices defined in Section 5a(1) of the same law.

E.ON Energie, a.s.

The Office decided to levy a fine of CZK 50,000 on E.ON Energie, a.s. for using, in contravention of Section 4(3) of the law on consumer protection, aggressive commercial practices defined in Section 5a(1) of the same law.

CENTROPOL ENERGY, a.s.

The Office decided to levy a fine of CZK 80,000 on CENTROPOL ENERGY, a.s. for using, in contravention of Section 4(3) of the law on consumer protection, aggressive commercial practices defined in Section 5a(1) of the same law.

BOHEMIA ENERGY entity s.r.o.

The Office decided to levy a fine of CZK 60,000 on BOHEMIA ENERGY entity s.r.o. for using, in contravention of Section 4(3) of the law on consumer protection, aggressive commercial practices defined in Section 5a(1) of the same law.

České Energetické Centrum Jih s.r.o.

The Office decided to levy an aggregate fine of CZK 150,000 on České Energetické Centrum Jih s.r.o. for using, in contravention of Section 4(3) of the law on consumer protection, aggressive commercial practices defined in Section 5a(1) of the same law, and for failing, in contravention of Sections 30(2)(d) and 61(2)(h) of the Energy Act, to meet its obligation to keep the quality parameters of electricity supply and related services and the quality parameters of gas supply and related services by failing to deliver a written response to a complaint about electricity and gas billing within 15 days.

3 Proceedings under Act No 106/1999 on free access to information

The Office provides the applicants with the requested information under Act No 106/1999 on free access to information, as amended. In cases where the Office, being the liable entity, does not grant the request, even if only a part thereof, it shall deliver a decision on the dismissal of the request or a part thereof under Section 15 of this law.

The request/part thereof, for information provision was dismissed in the case of the following applicants requesting information:

Aliance pro energetickou soběstačnost, o.s.

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information, noting that the information had come into existence without the use of public domain instruments and had been furnished by a person on whom the law does not impose this obligation unless the person had notified their consent to the provision of the information. To the extent of the remaining part, the information was provided to the applicant.

On the basis of the applicant's remonstrance, and upon the remonstrance commission's proposal, ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mrs Kateřina Sedláčková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was not information within the meaning of Section 2 taken together with Section 5 of the law on free access to information, because the applicant demanded clarification. Clarification or interpretation of information is not one of the obligations that the law on free access to information imposes on the liable entities, in particular with regard to Section 2 taken together with Section 5 of this law.

Aliance pro energetickou soběstačnost, o.s.

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that this case involved an internal instruction binding only on persons inside the Office.

On the basis of the applicant's remonstrance, and upon the remonstrance commission's proposal, ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mrs Petra Stupková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was not information within the meaning of Section 2 taken together with Section 5 of the law on free access to information, because the applicant demanded clarification. Clarification or interpretation of information is not one of the obligations that the law on free access to information imposes on the liable entities, in particular with regard to Section 2 taken together with Section 5 of this law.

On the basis of the applicant's remonstrance, and upon the remonstrance commission's proposal, ERO Chairwoman decided to remand the Office's decision and the case to the Office for reconsideration.

Mrs Petra Stupková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was not information within the meaning of Section 2 taken together with Section 5 of the law on free access to information, because the applicant demanded clarification. Clarification or interpretation of information is not one of the obligations that the law on free access to information imposes on the liable entities, in particular with regard to Section 2 taken together with Section 5 of this law.

The Office refused to provide information on the last point in the request on the grounds that such information was not available to the Office in the requested form.

On the basis of the applicant's remonstrance, and upon the remonstrance commission's proposal, ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mrs Petra Stupková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was not information within the meaning of Section 2 taken together with Section 5 of the law on free access to information, because the applicant demanded clarification. Clarification or interpretation of information is not one of the obligations that the law on free access to information imposes on the liable entities, in particular with regard to Section 2 taken together with Section 5 of this law.

On the basis of the applicant's remonstrance, and upon the remonstrance commission's proposal, ERO Chairwoman decided to remand the Office's decision and the case to the Office for reconsideration.

Mrs Petra Stupková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was personal data that could not be provided.

Mrs Petra Stupková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was a trade secret under Section 17 of the Commercial Code, which could not be provided.

Mrs Petra Stupková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was personal data that could not be provided.

Mrs Petra Stupková

The Office delivered, under Section 15 of the law on free access to information, a decision refusing to provide a part of the requested information on the grounds that the requested information was

not information within the meaning of Section 2 taken together with Section 5 of the law on free access to information, because the applicant demanded clarification. Clarification or interpretation of information is not one of the obligations that the law on free access to information imposes on the liable entities, in particular with regard to Section 2 taken together with Section 5 of this law.

4 Remonstrance proceedings in 2013

Decisions on remonstrance as a remedy against decisions delivered by the Office in the first instance under Section 152 of Act No 500/2004, Rules of Administrative Procedure, as amended, are vested in ERO Chairwoman, who decides on remonstrances on the basis of recommendations provided by the remonstrance commission set up under Section 152(3) of the Rules of Administrative Procedure.

In 2013, ERO Chairwoman delivered 20 decisions on the remonstrances considered by the commission in 2012. ERO Chairwoman's remonstrance commission considered 104 remonstrances in 2013. On the basis of such considerations, 91 decisions were delivered.

ERO Chairwoman delivered 111 decisions on remonstrances in 2013.

In 2013, ERO Chairwoman's remonstrance commission also considered seven remonstrances on which no decision had been delivered by the end of 2013.

4.1 Remonstrances filed against decisions delivered in adversarial proceedings

THE ELECTRICITY INDUSTRY

RWE Plynoprojekt s.r.o. v ČEZ Distribuce, a.s.

In adversarial proceedings under Section 17(7)(a) of the Energy Act, the Office rejected RWE Plynoprojekt's motion for the execution of a connection agreement. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

FVE Petrovice a.s. v E.ON Distribuce, a.s.

In adversarial proceedings under Section 17(7)(a) and (d) of the Energy Act, the Office rejected FVE Petrovice' motion for the execution of an electricity supply agreement and in the part concerning a declaration of the right to support for renewable electricity generation, it discontinued the administrative proceedings. On the basis of the petitioner's remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

In these proceedings, the Office decided again and rejected the petitioner's motion. Following the consideration of the petitioner's remonstrance, ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mr Zdeněk Živný v CENTROPOL ENERGY, a.s.

In a dispute under Section 17(7)(e)(2) of the Energy Act, the Office granted Mr Živný's motion for a declaration of the discharge of a legal relationship on electricity supply. ERO Chairwoman rejected CENTROPOL ENERGY's remonstrance and upheld the challenged decision.

ALOFY s.r.o. v ČEZ Distribuce, a.s.

The Office rejected ALOFY's motion for the connection of an installation to the distribution system in adversarial proceedings under Section 17(7)(c) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

MATIRE Invest a.s. v ČEZ Distribuce, a.s.

The Office rejected MATIRE Invest's motion under Section 17(7)(d) of the Energy Act, concerning support for renewable electricity generation. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mr Josef Šmoldas v ČEZ Distribuce, a.s. and ČEZ Prodej, s.r.o.

In adversarial proceedings under Section 17(7)(a) of the Energy Act, the Office rejected Mr Šmoldas's motion for an interim injunction requiring resumption of electricity distribution to his supply point. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mrs Milena Tomková v PREDistribuce, a.s. and Pražská energetika, a.s.

On the basis of Mrs Tomková's motion, the Office decided to deliver an interim injunction requiring resumption of electricity supply. Both respondents filed remonstrance against the decision. ERO Chairwoman rejected their remonstrance and upheld the challenged decision.

Františkolázeňská výtopna, s.r.o. v ČEZ Distribuce, a.s.

In adversarial proceedings under Section 17(7)(c) of the Energy Act, the Office rejected the petitioner's motion for the connection of an electricity generating plant to the distribution system. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mr Jan Libus v ČEZ Distribuce, a.s.

In adversarial administrative proceedings under Section 52(1) of the law on supported energy sources, the Office decided that the petitioner was entitled to support for renewable electricity generation in the amount applicable to plants commissioned in 2012. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mr Dalibor Vašák v ČEZ Distribuce, a.s.

In a dispute under Section 17(7)(c) of the Energy Act, the Office rejected the petitioner's motion for the imposition of the obligation to connect an electricity generating plant to the distribution system. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mrs Soňa Pulcová v ČEZ Distribuce, a.s.

In a dispute under Section 17(7)(e)(3) of the Energy Act, the Office awarded the petitioner compensation for the respondent's failure to keep the standard applicable to the delivery of opinions on applications for connection. ERO Chairwoman rejected the respondent's remonstrance and upheld the challenged decision.

Mr Karel Janeš and Mrs Zuzana Janešová v PREDistribuce, a.s. and BOHEMIA ENERGY entity s.r.o.

Upon the petitioners' motion, the Office delivered an interim injunction ordering the connection of the supply point and resumption of electricity supply. On the basis of PRE Distribuce's remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mr Václav Götz v ČEZ Distribuce, a.s.

The Office discontinued adversarial proceedings under Section 17(7)(c) of the Energy Act on the connection of an electricity generating plant to the distribution system. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

D-K zemědělská a.s. v ČEZ Distribuce, a.s.

In adversarial proceedings under Section 17(7)(c) of the Energy Act, the Office rejected the petitioner's motion for a declaration that the electricity generating plant that it operated met the conditions for connection to the distribution system. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

FVE Semanín Czech Republic s.r.o. v OTE, a.s. and ČEZ Prodej, s.r.o.

In proceedings under Section 52(1) of the law on supported energy sources, the Office rejected the petitioner's motion concerning the amount of support for renewable electricity. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mr Ladislav Lemberk v ČEZ Distribuce, a.s.

In adversarial proceedings under Section 17(7)(c) and (e)(1) of the Energy Act, the Office rejected the petitioner's motion for the connection of a supply point to the distribution system. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

THE GAS INDUSTRY**Mr Vladimír Fára v ČEZ Prodej, s.r.o.**

In adversarial proceedings under Section 17(7)(a) and (e)(1) of the Energy Act, the Office rejected Mr Fára's motion for a new billing of gas supply and in respect of the petitioner's illegal consumption. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Hana Nováková Svatební a společenská agentura Sunny Life v JMP Net, s.r.o.

In adversarial proceedings under Section 17(7)(e)(2) of the Energy Act, the Office rejected the petitioner's motion for an interim injunction through which she sought compensation for damage sustained. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

THE HEATING INDUSTRY**IMPULS Otrokovice s.r.o. v Teplárna Otrokovice a.s.**

In adversarial proceedings under Section 17(7)(a) of the Energy Act, the Office rejected IMPULS Otrokovice's motion for the imposition of an obligation to execute an agreement on thermal energy supply, and discontinued the administrative proceedings in respect of the dispute over an interruption of thermal energy supply. ERO Chairwoman decided on the petitioner's remonstrance against the decision on the merits and against the decision to discontinue the proceedings, rejected the remonstrance on both points, and upheld the challenged decisions.

Šluknov Appartements s.r.o. v SoLo sport and TUV, spol. s r.o.

The Office discontinued adversarial proceedings under Section 17(7)(a) of the Energy Act on a curtailment of thermal energy supply. ERO Chairwoman decided on Šluknov Appartements' remonstrance by rejecting the remonstrance and upholding the challenged decision.

Společenství pro dům Habrová 2655, Praha 3 v Pražská teplotárenská a.s.

In adversarial proceedings under Section 17(7)(a) of the Energy Act, the Office decided on the execution of an agreement on thermal energy supply. The petitioner and respondent filed remonstrance against the challenged decision. ERO Chairwoman rejected both remonstrances and upheld the challenged decision.

KOMTERM, a.s. v Teplárna Písek, a.s.

The Office rejected KOMTERM's motion for the execution of an agreement on thermal energy supply in adversarial proceedings under Section 17(7)(a) of the Energy Act. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Společenství vlastníků jednotek pro dům Nepelova 947, 948, 949, 950, 952 and 953 v Pražská teplotárenská a.s.

In a dispute under Section 17(7)(a) of the Energy Act, the Office decided that Pražská teplotárenská a.s. was obliged to enter into agreements on thermal energy supply with the specified customers. ERO Chairwoman rejected the respondent's remonstrance and upheld the challenged decision.

Společenství vlastníků jednotek Lípová 3522-3525 v Jablonecká teplotárenská a realitní, a.s.

In adversarial proceedings under Section 17(7)(a) of the Energy Act, the Office delivered an interim injunction requiring the supply of thermal energy pending the administrative proceedings. ERO Chairwoman rejected the remonstrance filed by Jablonecká teplotárenská a realitní, a.s. and upheld the challenged decision.

Společenství vlastníků jednotek Na Výšině č.p. 3225 v Jablonecká teplárenská a realitní, a.s.

In adversarial proceedings under Section 17(7)(a) of the Energy Act, the Office delivered an interim injunction requiring the supply of thermal energy pending the administrative proceedings. ERO Chairwoman discontinued the proceedings on the respondent's remonstrance, because the decision to deliver the interim injunction had been revoked pending the delivery of a decision on the remonstrance.

The Office decided to revoke the interim injunction requiring the supply of thermal energy because the petitioner withdrew the request. ERO Chairwoman rejected the respondent's remonstrance and upheld the challenged decision.

Společenství vlastníků jednotek Lípová 3522-3525 v Jablonecká teplárenská a realitní, a.s.

The Office revoked its decision to deliver an interim injunction concerning the provision of thermal energy supply and discontinued the administrative proceedings. The petitioner filed remonstrance against both of the above decisions. The proceedings on the petitioner's remonstrance were discontinued because the petitioner withdrew its remonstrance in full prior to the delivery of the decisions on the remonstrance.

4.2 Remonstrances against decisions delivered in approval proceedings

SPP-distribúcia, a.s.

In administrative proceedings under Section 17(4) of the Energy Act, the Office rejected the party's application for an exemption from the obligation to publish information about a UGS facility. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

RWE GasNet, s.r.o.

In proceedings under Section 17(7)(g) of the Energy Act, the Office approved the DSO's Code submitted by the party. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

4.3 Remonstrances against decisions on administrative offences

ADMINISTRATIVE OFFENCES UNDER THE ENERGY ACT

Mr Petr Matal

The Office levied a fine on the party for an administrative offence under Section 91(1)(b) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Společenství vlastníků Senovážná 7

The Office levied a fine on the party for an administrative offence under Section 91a(1)(a) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Alpiq Generation (CZ) s.r.o.

The Office levied a fine on the party for an administrative offence under Section 91(1)(f) of the Energy Act. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Správa bytového fondu města Vítkova, příspěvkové organizace

The Office levied a fine on the party for an administrative offence under Section 91(12)(d) of the Energy Act. ERO Chairwoman reversed the challenged decision and discontinued the administrative proceedings.

KR OSTRAVA a.s.

The Office levied a fine on the party for administrative offences under Section 91a(1)(m) of the Energy Act. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Technické služby obce Nová Pec s.r.o.

The Office levied a fine on the party for an administrative offence under Section 91(12)(d) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

FVE Petrovice a.s.

The Office levied a fine on the party for administrative offences under Section 91(1)(b) and (h) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Q-BYT Čelákovice spol. s r.o.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 91(1)(c) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

ČEZ Prodej, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 91(5)(e) of the Energy Act. ERO Chairwoman rejected the remonstrance in part and upheld the challenged decision, and changed the decision in part as to the amount of the fine.

SILMET OIL, s.r.o.

The Office levied a fine on the party and imposed on it a remedial measure for administrative offences under Sections 91(1)(f) and 91(1)(c) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

ArcelorMittal Ostrava a.s.

The Office levied a fine on the party for an administrative offence under Section 91(4)(d) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and discontinued the proceedings.

INCHEBA PRAHA spol. s r.o.

The Office levied a fine on the party for administrative offences under Sections 91(1)(f) and 91(1)(c) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

PREdistribuce, a.s.

The Office levied a fine on the party for an administrative offence under Section 91(4)(r) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and discontinued the proceedings.

Východočeská plynárenská, a.s.

The Office levied a fine on the party for an administrative offence under Section 91(11)(d) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and discontinued the proceedings.

Správa silnic Moravskoslezského kraje, příspěvková organizace

The Office levied a fine on the party for an administrative offence under Section 91a(1)(m) of the Energy Act. On the basis of remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for new consideration.

Mr Jiří Karnet

The Office levied a fine on the party for an administrative offence under Section 91a(1)(a) of the Energy Act. ERO Chairwoman stayed the administrative proceedings due to the need to resolve a preliminary question concerning the assessment of the culpability of the party's act by authorities responsible for criminal proceedings.

PŘIBYL S-R, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 91a(1)(m) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mr Libor Pernica

The Office levied a disciplinary fine under Section 91c(1) of the Energy Act on the party for his failure to provide cooperation in the performance of inspection. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Mrs Jana Sczeponiaková

The Office levied a fine on the party for an administrative offence under Section 91a(1)(m) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

SLUŽBY LIŠOV, s.r.o.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 91(1)(c) of the Energy Act. ERO Chairwoman rejected the remonstrance in part and upheld the challenged decision, and changed the decision in part as to the amount of the fine.

ReSpol s.r.o.

The Office levied a fine on the party for an administrative offence under Section 91a(1)(m) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

RWE Gas Storage, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 91a(1)(a) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

TEPLO Oskol s.r.o.

The Office levied a fine on the party for administrative offences under Section 16(1)(d) of the Act on Prices, and Sections 91(1)(c) and 91(12)(d) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Peculium s.r.o.

The Office levied a fine on the party for an administrative offence under Section 91(1)(e) of the Energy Act. Following consideration of the party's remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mrs Nicol Formánková Oravcová

The Office levied a fine on the party for an administrative offence under Section 91(1)(e) of the Energy Act. Following consideration of the party's remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

ENERGO 2000, a.s.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 91a(1)(d) of the Energy Act. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for new consideration.

ADMINISTRATIVE OFFENCES UNDER THE ACT ON PRICES

TEPLO Rumburk, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 16(1)(d) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

MARSERVIS, s.r.o.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 16(1)(d) of the Act on Prices. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

SVT Group, a.s.

The Office levied a fine on the party for an administrative offence under Section 16(1)(h) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

X Energie, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 16(1)(h) of the Act on Prices. ERO Chairwoman rejected the remonstrance in part and upheld the challenged decision and changed the decision in part as to the amount of the fine.

SMO, městská akciová společnost Orlová

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 16(1)(d) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Optimum Energy, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 16(1)(h) of the Act on Prices. ERO Chairwoman rejected the remonstrance in part and upheld the challenged decision and changed the decision in part as to the amount of the fine.

KA Contracting ČR s.r.o.

The Office levied a fine on the party for an administrative offence under Section 15(1)(c) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

ELIMON a.s.

The Office levied a fine on the party for an administrative offence under Section 16(1)(h) of the Act on Prices. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

CORASTA s.r.o.

The Office levied a fine on the party for an administrative offence under Section 16(1)(h) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

MVV Energie CZ a.s.

The Office levied a fine on the party for an administrative offence under Section 16(1)(d) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

GAS KOMPLET s.r.o.

The Office levied a fine on the party for an administrative offence under Section 16(1)(d) of the Act on Prices. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Služby města Rychvald, spol. s r.o.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 16(1)(d) of the Act on Prices. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

TEPLO Rumburk, s.r.o.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence Section 16(1)(d) of the Act on Prices. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

ČEZ Prodej, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 16(1)(h) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

X Energie, s.r.o.

The Office levied a fine on the party for an administrative offence under Section 16(1)(h) of the Act on Prices. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

KOHLGAS, spol. s r.o.

The Office levied a fine on the party and imposed on it a remedial measure for administrative offences under Section 16(1)(d) of the Act on Prices and Section 91a(1)(a) of the Energy Act. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

BM servis a.s.

The Office levied a fine on the party and imposed on it a remedial measure for administrative offences under Section 16(1)(d) of the Act on Prices and Section 91(1)(c) of the Energy Act. On the basis of remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

DISTEP a.s.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 16(1)(d) of the Act on Prices. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Energetické centrum s.r.o.

The Office levied a fine on the party and imposed on it a remedial measure for an administrative offence under Section 16(1)(d) of the Act on Prices. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

ADMINISTRATIVE OFFENCES UNDER THE ACT ON CONSUMER PROTECTION**České Energetické Centrum a.s.**

The Office levied a fine on the party for administrative offences under Section 91(13)(b) and (c) of the Energy Act and Section 24(10)(d) of the Act on Consumer Protection. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

CENTROPOL ENERGY, a.s.

The Office levied a fine on the party for an administrative offence under Section 24(1)(a) of the Act on Consumer Protection. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

BOHEMIA ENERGY entity s.r.o.

The Office levied a fine on the party for an administrative offence under Section 24(1)(a) of the Act on Consumer Protection. ERO Chairwoman rejected the party's remonstrance against the order rejecting its application for disregarding the delay in the filing of its remonstrance against the above decision, and also the delayed remonstrance against the decision on the merits, and upheld both of the above decisions.

České Energetické Centrum a.s.

The Office levied a fine on the party for administrative offences under Section 24(1)(a) of the Act on Consumer Protection. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

4.4 Remonstrances in proceedings under the law on free access to information

Aliance pro energetickou soběstačnost, o.s.

The Office partly dismissed the request for information concerning the documents in administrative files on several proceedings on licence award. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Aliance pro energetickou soběstačnost, o.s.

The Office dismissed the request for information the subject matter of which was the documents provided to the author of an audit of feed-in tariffs. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mrs Petra Stupková

The Office dismissed the request for information the subject matter of which was details about the employment and job position of the Office's press spokesman. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mrs Petra Stupková

The Office dismissed the request for information the subject matter of which was details about the Office's managerial personnel. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Aliance pro energetickou soběstačnost, o.s.

The Office dismissed the request for information the subject matter of which was minutes of the meetings of the Office's management. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged decision.

Mrs Petra Stupková

The Office partly dismissed a request for information whereby the applicant sought clarification of the information contained in specified documents. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged decision.

Mrs Petra Stupková

The Office dismissed a request for information whereby the applicant sought clarification of the information contained the Office's observations prepared for the Constitutional Court of the Czech Republic. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged decision.

Mrs Petra Stupková

The Office dismissed a request for information whereby the applicant sought the provision of information about the law on support for renewable energy sources and the determination of feed-in tariffs. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mr Petr Orct

The Office again considered the applicant's remonstrance against a decision dismissing a request whereby the applicant had sought documents from licence files concerning specific energy installations after a court reversed the original decision on the remonstrance. Following reconsideration of the case, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

4.5 Remonstrances related to licensing

Mr Jiří Karnet

The Office rejected the party's application for an electricity generation licence. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

REALSAD s.r.o.

This entailed a reconsideration of the party's remonstrance on the basis of the result of court proceedings against a decision rejecting the party's application for licence award. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Saša – SUN s.r.o.

ERO Chairwoman rejected the party's remonstrance against her decision whereby she had decided on a claim of remonstrance commission members' partiality in a summary review proceeding for the reopening of the licensing procedure.

Zdeněk – SUN s.r.o.

ERO Chairwoman rejected the party's remonstrance against her decision whereby she had decided on a claim of remonstrance commission members' partiality in a summary review proceeding for the reopening of the licensing procedure.

Mrs Monika von Othegraven

ERO Chairwoman rejected the party's remonstrance and upheld the Office's order staying the administrative proceedings on electricity generation licensing.

Solar Energy Systems, s.r.o.

The Office's order stayed proceedings on the party's application for licence revocation. Since the party withdrew its application for licence revocation, ERO Chairwoman reversed the order whereby the proceedings had been stayed and discontinued the administrative proceedings in question.

Zdeněk – SUN s.r.o.

Head of the Office's Inspection Section decided on a plea claiming Mr J Vítek's partiality in respect of proceedings for the reopening of the licensing procedure. Following consideration of the remonstrance, ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Saša – SUN s.r.o.

Head of the Office's Inspection Section decided on a plea claiming Mr J Vítek's partiality in respect of proceedings for the reopening of the licensing procedure. Following consideration of the remonstrance, ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mr Vojtěch Černošous

The Office decided *ex officio* to revoke the party's electricity generation licence. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

FVE 28 s.r.o.

In a reopened procedure, the Office decided on the award of an electricity generation licence to FVE 28 s.r.o. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Mrs Romana Hrabovská

The Office discontinued administrative proceedings on Mrs R Hrabovská's application for licence award. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Zdeněk – Sun s.r.o.

The Office allowed the reopening of the proceedings on the party's application for licence award. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for new consideration.

This case was considered repeatedly during the course of 2013 after the Office decided again to allow the reopening of the licensing procedure. ERO Chairwoman rejected the the party's second remonstrance and upheld the challenged decision.

Saša – SUN s.r.o.

The Office allowed the reopening of the proceedings on the party's application for licence award. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for new consideration.

This case was considered repeatedly during the course of 2013 after the Office decided again to allow the reopening of the licensing procedure. ERO Chairwoman rejected the party's second remonstrance and upheld the challenged decision.

Commexim Group a.s.

The Office discontinued administrative proceedings on the party's application for a change to its electricity trading licence. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

FVE Petrovice a.s.

In summary review proceedings, ERO Chairwoman reversed the Office's decision on a change to the electricity generation licence. ERO Chairwoman rejected the party's remonstrance against the above decision and upheld the challenged decision.

PROTECO nářadí s.r.o.

The Office decided on a change to the decision on licence award to the extent of the starting date of the licensed activity. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

BS Park II. s.r.o.

In proceedings on allowing the reopening of the licensing procedure, the Office rejected the party's request for an extension of the time limit for its comments on the decision documentation. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

The Office also *ex officio* decided to allow the reopening of the proceedings on the party's application for licence award. On the basis of the remonstrance, ERO Chairwoman reversed the challenged decision and remanded the case for new consideration.

FVE 28 s.r.o.

The Office repeatedly considered the party's remonstrance against the decision on allowing the reopening of the proceedings on the application for licence award after a court reversed the original decision on remonstrance and remanded the case to ERO Chairwoman for reconsideration. ERO Chairwoman granted the remonstrance, reversed the decision on allowing the reopening of the proceedings and remanded the case for reconsideration.

4.6 Other

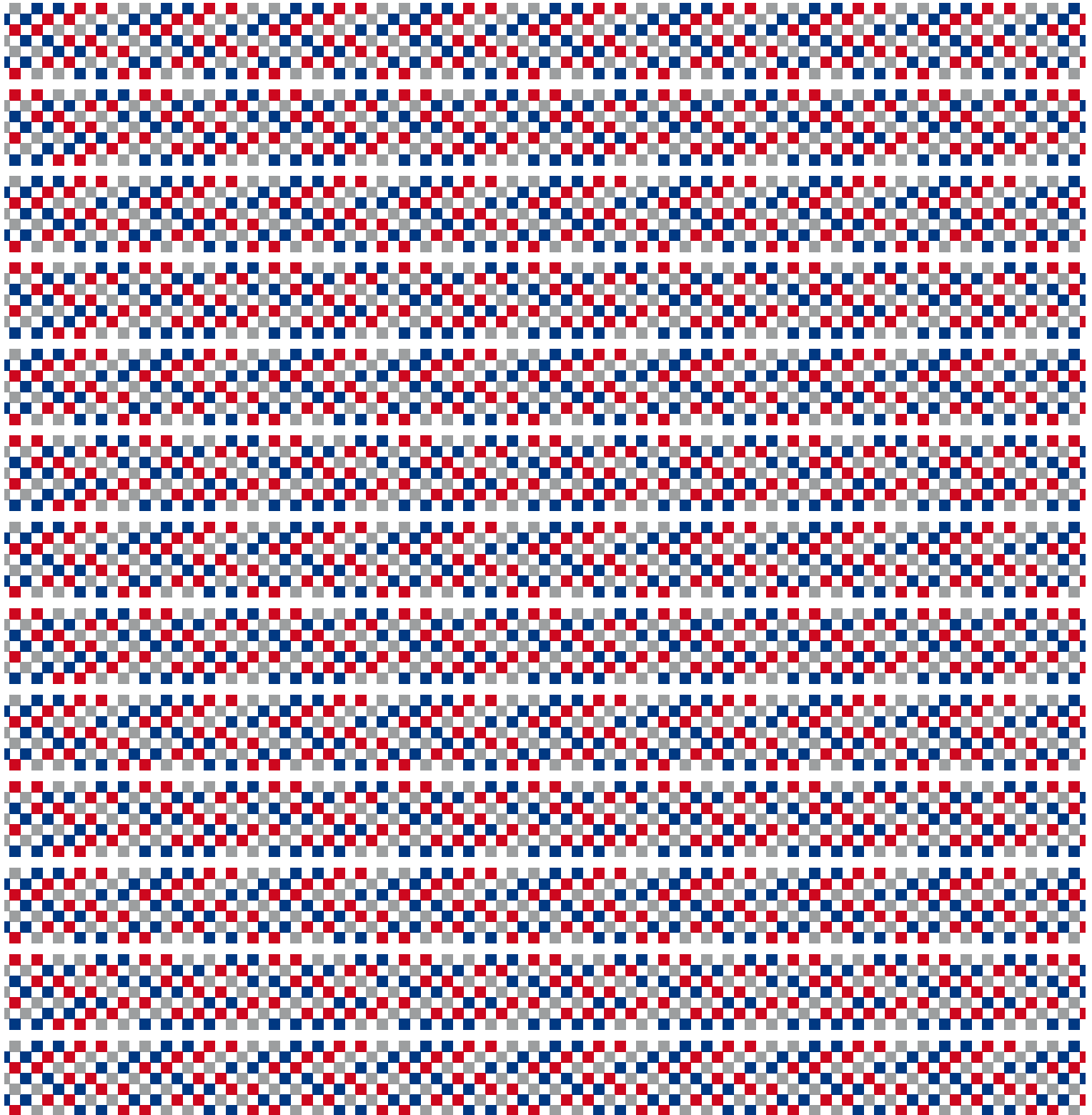
E.ON Distribuce, a.s.

E.ON Distribuce, a.s. filed remonstrance against the Office's notification, in which the company was notified of the parameters of the regulatory formula. ERO Chairwoman did not decide on E.ON Distribuce's submission, because it was not remonstrance and was not directed against an individual administrative act.

E.ON Distribuce, a.s.

E.ON Distribuce, a.s. filed remonstrance against ERO Price Decisions 5/2012 and 6/2012. ERO Chairwoman did not decide on E.ON Distribuce's submission, because it was not remonstrance and was not directed against an individual administrative act.

Appendix 2



Auditor's Report

Auditor's opinion intended for the institutor of the Energy Regulatory Office

I have examined the fund established pursuant to the Section 14 of the Act No. 458/2000 Coll. on the Conditions for Business and State Administration in the Energy Industries and on Amendments to Certain Laws (hereinafter, the "Energy Act") as amended, and its alignment in relation to the financial statements. The examination has been performed in compliance with the International Accounting Standards and it has covered the period of the year of 2013.

The statutory body of the accounting unit is responsible for bookkeeping, and for complete, true and correct accounting. The auditor's responsibility is to obtain all the information required for examining the way the fund is maintained and its alignment in relation to the financial statements. The audit has been carried out with respect to the extent of the accounting, and through the examination of documents while respecting the significance of the disclosures.

In my opinion, the allocations to the fund and the retirements of the fund were carried out in compliance with the legal regulations in force, and the fund is truly and fairly reflected in the financial statements of the Energy Regulatory Office for the period of 2013.



A-CONT, s. r. o., represented by
Ing. Jiří Makaj
Company Executive
Auditor, Certificate No. 1529

Appendices: Balance sheet account

A-CONT, s. r. o., with a registered office at Poini 4, 586 01 Jihlava, Reg. No. 49448889, registered in the Companies Registry administered by the Regional Court in Brno, section C, enclosure No. 12563 and also entered in the list of auditing companies of the Czech Republic's Chamber of Auditors with the certificate No. 372

In the town of Jihlava, on February 26, 2014

on the examination of the fund established under Section 14 of the Act No. 458/2000 Coll., on the Conditions for Business and State Administration in the Energy Industries and on Amendments to Certain Laws (hereinafter, the "Energy Act"), as amended.

Recipient of the Report: Statutory body of the Energy Regulatory Office

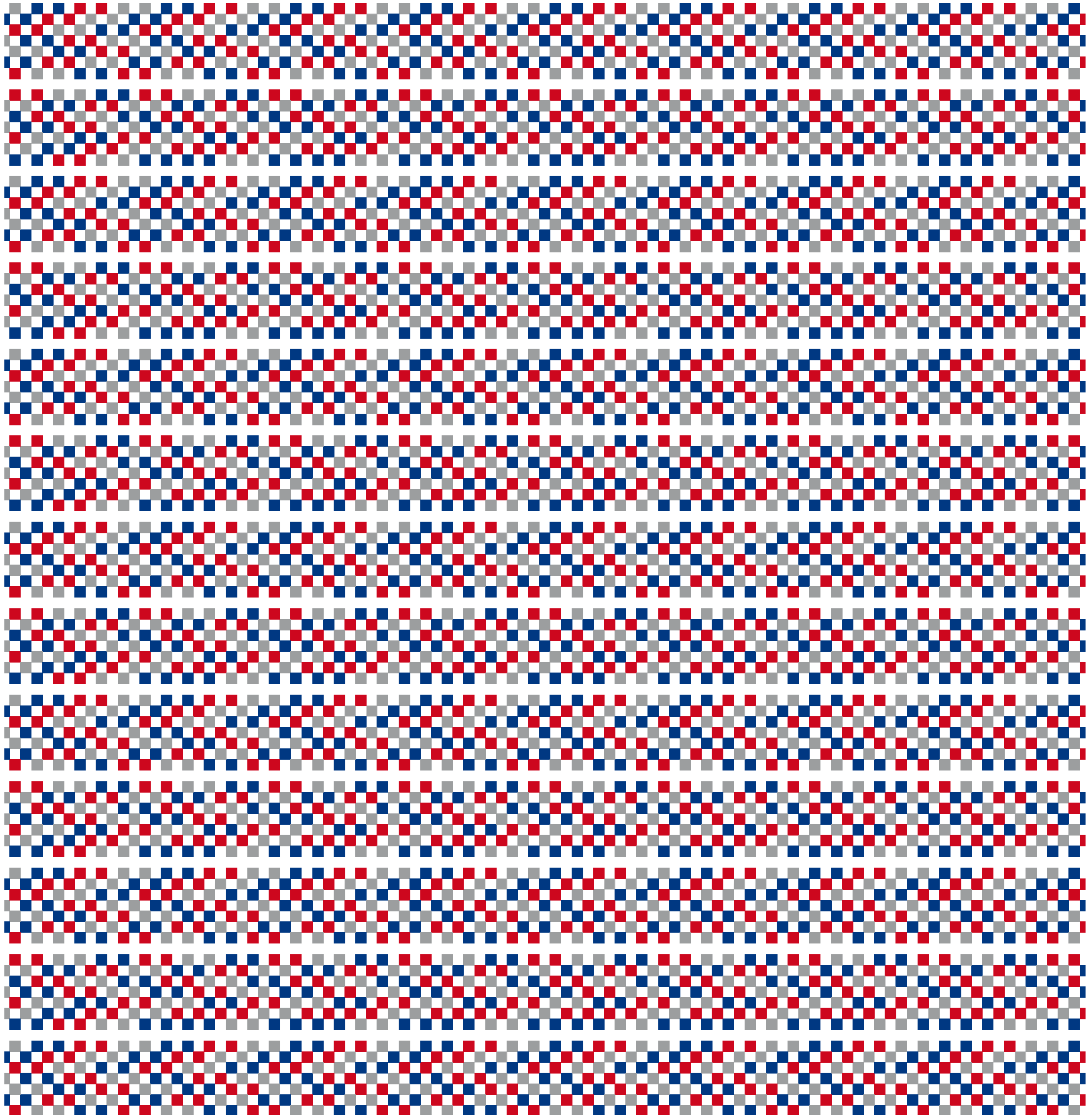
Name of the Accounting Unit: Energy Regulatory Office

Registered Office: Masarykovo náměstí 5, 586 01 Jihlava

Reg. No.: 70894451

Period under review: year 2013

Appendix 3



Balance Sheet as at 31 December 2013

of the State's instrumentalities, self-governing administrative units, semi-autonomous
organisations and Regional Councils
(adjusted form, in CZK, two decimal places)

Name of the accounting unit:
Energy Regulatory Office
Masarykovo náměstí 5
586 01 JIHLAVA
Reg. No.: 70894451

Item	Name	Synthetic account	PERIOD		NET	PREVIOUS
			GROSS	CURRENT ADJUSTMENT		
			1	2	3	4

TOTAL ASSETS			248,320,594.72	96,122,011.61	152,198,583.11	152,899,967.54

A. Fixed assets			178,521,799.75	96,122,011.61	82,399,788.14	82,539,463.37

I. Intangible fixed assets			51,382,039.64	37,984,596.61	13,397,443.03	16,167,641.64
1. Intangible results of R & D		012	0.00	0.00	0.00	0.00
2. Software		013	44,623,451.64	31,226,008.61	13,397,443.03	16,167,641.64
5. Low-value intangible fixed assets		018	6,758,588.00	6,758,588.00	0.00	0.00

II. Tangible fixed assets			127,139,760.11	58,137,415.00	69,002,345.11	66,371,821.73
1. Land		031	3,412,147.00	0.00	3,412,147.00	3,412,147.00
2. Objects of art		032	291,241.00	0.00	291,241.00	291,241.00
3. Buildings		021	42,425,208.30	5,689,343.00	36,735,865.30	36,930,409.30
4. Plant and equipment		022	54,755,792.03	26,192,700.22	28,563,091.81	25,738,024.43
6. Low-value tangible fixed assets		028	26,255,371.78	26,255,371.78	0.00	0.00

III. Long-term investments			0.00	0.00	0.00	0.00

IV. Long-term receivables			0.00	0.00	0.00	0.00

B. Current assets			69,798,794.97	0.00	69,798,794.97	70,360,504.17

I. Inventories			300,651.78	0.00	300,651.78	230,287.05
2. Material in stock		112	300,651.78	0.00	300,651.78	230,287.05

II. Short-term receivables			11,748,980.51	0.00	11,748,980.51	12,632,155.16
4. Short-term advances paid		314	1,094,727.00	0.00	1,094,727.00	904,508.00
5. Other receivables, main activity		315	8,172,467.59	0.00	8,172,467.59	9,192,558.00
10. Receivables from employees		335	4,592.00	0.00	4,592.00	0.00
25. Prepaid expenses		381	2,477,193.92	0.00	2,477,193.92	2,535,089.16

III. Short-term financial assets			57,749,162.68	0.00	57,749,162.68	57,498,061.96
5. Other current accounts		245	57,665,837.74	0.00	57,665,837.74	57,386,102.02
10. FKSP current account		243	83,324.94	0.00	83,324.94	111,959.94

Item	Name	Synthetic account	PERIOD	
			CURRENT	PREVIOUS
			1	2

EQUITY AND LIABILITIES			152,198,583.11	152,899,967.54

C. Equity			93,689,712.74	94,867,716.55

I. Accounting unit's capital and adjustment items			68,790,571.94	68,816,402.94
1. Accounting unit's capital		401	128,311,123.17	128,311,123.17
5. Valuation differences upon first use of method		406	-59,494,720.23	-59,494,720.23
6. Other valuation differences		407	-25,831.00	0.00

II. Accounting unit's funds			83,324.94	111,959.94
2. FKSP		412	83,324.94	111,959.94

III. Result			-65,298,613.57	-103,849,997.56
1. Result of current period		493	38,551,383.99	66,162,047.96
2. Result in the approval procedure		431	-21,648,510.75	-87,810,558.71
3. Result of previous accounting periods		432	-82,201,486.81	-82,201,486.81

IV. Income and expense account of budget management			90,114,429.43	129,789,351.23
1. Income account of the State's instrumentalities		222	-216,799,872.25	-228,280,680.28
2. Special expense account		223	177,124,950.45	168,384,415.86
3. National budget management account		227	0.00	0.00
4. Aggregated income and expense of previous periods		404	129,789,351.23	189,685,615.65

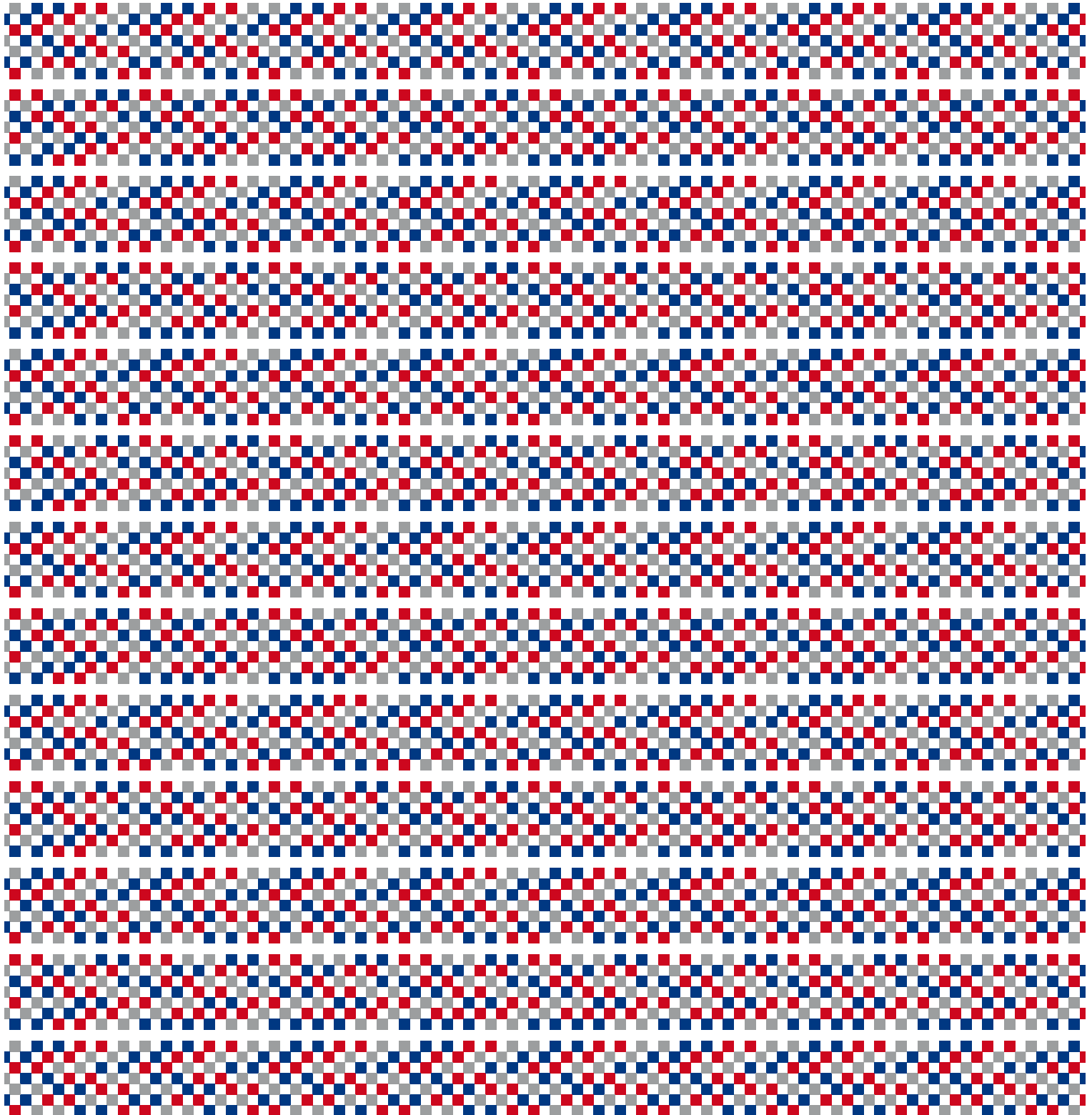
D. Liabilities			58,508,870.37	58,032,250.99

I. Provisions			0.00	0.00

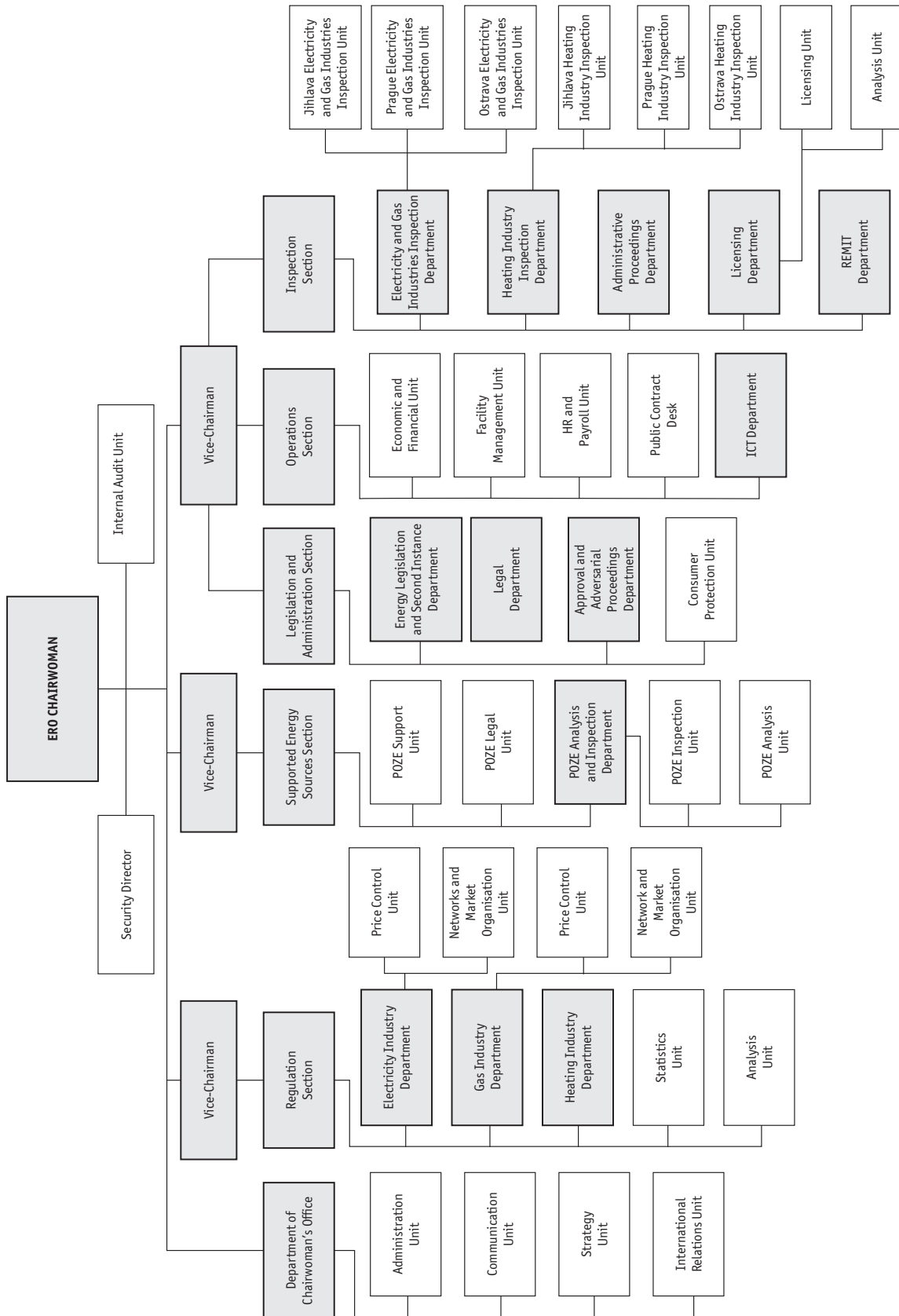
II. Long-term liabilities			45,444,392.14	45,443,007.97
8. Other long-term liabilities		459	45,444,392.14	45,443,007.97

III. Short-term liabilities			13,064,478.23	12,589,243.02
14. Other liabilities to employees		333	6,798,080.00	6,531,229.00
15. Net liabilities to social security and health insurance		336	3,951,900.00	3,679,862.00
16. Income tax		341	0.00	0.00
17. Other direct taxes		342	1,332,846.00	1,274,956.00
31. Accrued expenses		383	910,776.63	830,101.97
34. Other short-term liabilities		378	70,875.60	273,094.05

Appendix 4



Organisational structure of the Energy Regulatory Office as at 31 December 2013



**Report on the Activities and Finances
of the Energy Regulatory Office
for 2013**

Design: © Ditta Jiříčková, 2014
DTP: Metoda, spol. s r.o., Brno, 2014

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