

Table of Contents

List of frequent abbreviations and acronyms.....	5
1 Introduction.....	7
2 Legislation and administration.....	10
2.1 Preparing amendments to Act No 458/2000 and Act No 165/2012.....	11
2.2 Key changes to laws and regulations within the ERO's remit.....	11
2.3 Administrative proceedings	13
3 Consumer protection – position on the liberalised market	14
3.1 Policy and strategy in the Czech Republic and the EU	15
3.2 Customers.....	16
3.2.1 Consumer Protection Unit	16
3.2.2 ERO Ombudsman	16
3.2.3 Dispute resolution	17
3.3 Customer Information Centre	17
4 Regulation of network industries	18
4.1 The electricity industry	19
4.1.1 The electricity market.....	19
4.1.2 Pricing	19
4.1.3 Regulated prices related to electricity supply.....	20
4.1.4 Unregulated energy price of the electrical energy.....	25
4.1.5 Assessment of the development plan for the electricity transmission system.....	26
4.1.6 Supported energy sources	27
4.2 The gas industry.....	28
4.2.1 The gas market	29
4.2.2 Pricing	31
4.2.3 Regulated prices related to gas supply	32
4.2.4 Unregulated energy prices of the gas supply.....	35
4.2.5 Assessment of the development plan for the gas transmission system	38
4.3 The heating industry	40
4.3.1 Market description.....	40
4.3.2 Thermal energy price control	40

4.3.3	Examination and evaluation of thermal energy prices	41
4.3.4	Development of thermal energy prices	41
4.4	Licensing policy and its development	45
4.4.1	Recognition of professional qualifications	47
4.4.2	The Energy Regulatory Fund	47
4.4.3	Proceedings on administrative fees	47
5	Oversight	48
5.1	Checks in the electricity and gas industries	50
5.2	Checks in respect of supported energy sources	51
5.3	Oversight in the heating industry.....	52
5.4	Administrative proceedings	54
6	International relations.....	56
6.1	International activities	57
6.1.1	The National Report	57
6.1.2	CEER and ACER	57
6.1.3	Regional initiatives	58
6.1.4	New EU legislation – investments in energy infrastructure	58
6.1.5	Cooperation of Visegrád 4 regulators.....	59
6.1.6	Business trips to other countries	59
6.2	REMIT	60
6.2.1	National register of energy market participants	61
6.2.2	Sharing of information	61
6.2.3	Implementation of powers	61
6.2.4	CEER and ACER working groups	61
6.2.5	Communication with market participants	62
7	Internal relations	63
7.1	Cooperation with central state administration authorities and Czech Parliament	64
7.2	Public and media relations	65
7.2.1	Information provision under Act No 106/1999 on free access to information	65
7.2.2	The media	66
7.3	Publications	66
7.4	ERO website	67
8	ERO budget management	68
8.1	The Chapter’s budget	69
8.2	Revenues to the Chapter	69
8.2.1	Administrative fines	70
8.3	Expenditure	71
8.3.1	Current and capital expenditure savings	71
8.3.2	Programme financing	71
8.3.3	Expenses on business trips abroad	73

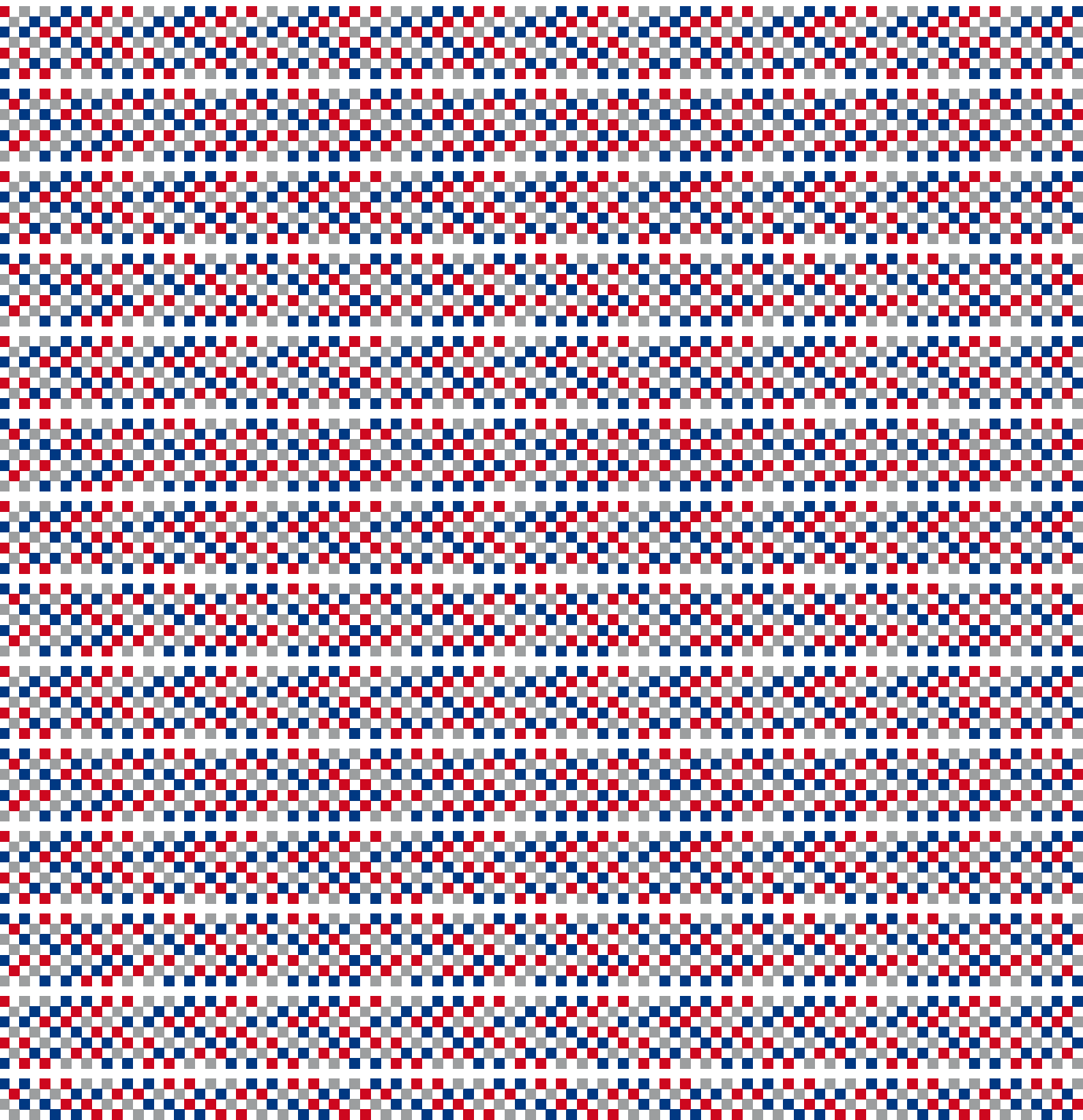
8.3.4	Evaluation of the economy, efficiency and efficacy of the Office’s financial management	73
8.4	Human resources	75
8.4.1	Education and training	75
8.4.2	Employees	77
8.4.3	Organisational activities	79
8.5	Cash funds	80
8.6	Assets, receivables and liabilities	80
8.7	Meeting of mandatory targets	80
9	Internal oversight system	82
9.1	External inspections	83
9.2	Internal oversight and internal audit	83
	Appendix 1	86
	Appendix 2	108
	Appendix 3	110
	Appendix 4	112
	Appendix 5	114

List of frequent abbreviations and acronyms

ACER	Agency for the Cooperation of Energy Regulators
CEER	Council of European Energy Regulators
CZK	Czech crown
DSO	Distribution system operator
EC	European Commission
EDS/SMVS	Subsidy Registration System/Administration of State-owned Assets (Czech abbreviations)
EHV	Extra high voltage
ERO, the Office	Energy Regulatory Office
EU	European Union
FCSN	Fund of Cultural and Social Needs
CHP	Combined heat and power generation, cogeneration
IA	Internal Audit
ICT	Information and communication technology
ISMS	Information Security Management System
JIS	Integrated information system (a Czech abbreviation)
LNG	Liquefied natural gas
MF	Ministry of Finance of the Czech Republic
MIT	Ministry of Industry and Trade of the Czech Republic
MVE	Small hydroelectric power station (a Czech abbreviation)
OTE	Czech market operator (OTE, a.s.)
PV	Photovoltaic power plant, solar power plant
REMIT	Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency

RES, renewables	Renewable energy sources
SEI	State Energy Inspectorate
SoS	Security of supply
TSO	Transmission system operator
VAT	Value added tax

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 (ERO, the Office) has been operating as an administrative authority for regulation in the energy sector since 1 January 2001.

ERO main responsibility is supervision over the energy market and over a sustainable level field for all players on this market. ERO oversees the protection of consumers’ and licence holders’ interests in the segments of energy industries in which competition is not feasible. It is also in charge of support for competition; promotion of supported energy sources; and oversight over licence holders’ adherence to conditions of business, thereby creating an environment for reliable electricity, gas and heat supplies.

ERO is actively involved in the European Union (EU) institutions, pursuing broad-ranging cooperation with the Agency for the Cooperation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER) and counterpart regulators. ERO is also involved in regional initiatives’ activities. ERO initiative also continuously helps to reinforce the permanent functional platform of The Visegrad Group (V4) energy regulators. Simultaneously with its multilateral activities ERO devoted increased attention to its bilateral contacts, and has significantly boosted its cooperation with the relevant governmental organisations in the United States of America (US) and with eastern European authorities and companies, including Ukraine and Russia. ERO took this approach mainly in the light of the geopolitical crisis that had emerged and within the bounds of its regulatory competences in energy security.

In 2014, ERO channelled its effort primarily into boosting the stability of energy industries, consumer protection and protection of licence holders’ vested interests, focusing mainly on preparations for the fourth regulatory period in the electricity and gas industries and on continued transparent regulation of supported energy sources. Another important task was to prepare a new tariff structure in the electricity industry, which must respond to the precipitous changes that are reflected in, for example, costs of network operation due to the connection of a large number of small energy generating plants.

ERO successfully continued to control the prices for 2015. Despite the unfavourable developments, the regulated portion of the prices for electricity and gas supply services has been kept stable. For 2015, the regulated portion of the final electricity supply price has slightly declined thanks to the decrease in most of its constituent items. For 2015, the total regulated portion of the final electricity supply price has therefore decreased by 2.1 per cent on average for customers connected to extra high voltage (EHV), and by 1.4 per cent for those connected to the low voltage (LV) level. In the gas industry, certain unfavourable factors beyond ERO control played a role in the final regulated price of the gas supply service. The price has therefore slightly increased at most of the distribution companies. The larger part of this price hike is attributable to lower

actual consumption caused by a mild winter and higher costs of the flexibility service procured from the transmission system operator (TSO), the increase in which ERO had also reviewed by the Office for the Protection of Competition.

ERO also actively protected energy customers' and consumers' interests and handled more than 8,200 submissions. As part of preparations for a system of out-of-court dispute resolution, in February 2014 ERO set up the position of ERO Ombudsman, who successfully handled 185 submissions. ERO was also actively involved in the drafting of legislation enhancing consumer protection in line with EU directives and regulations.

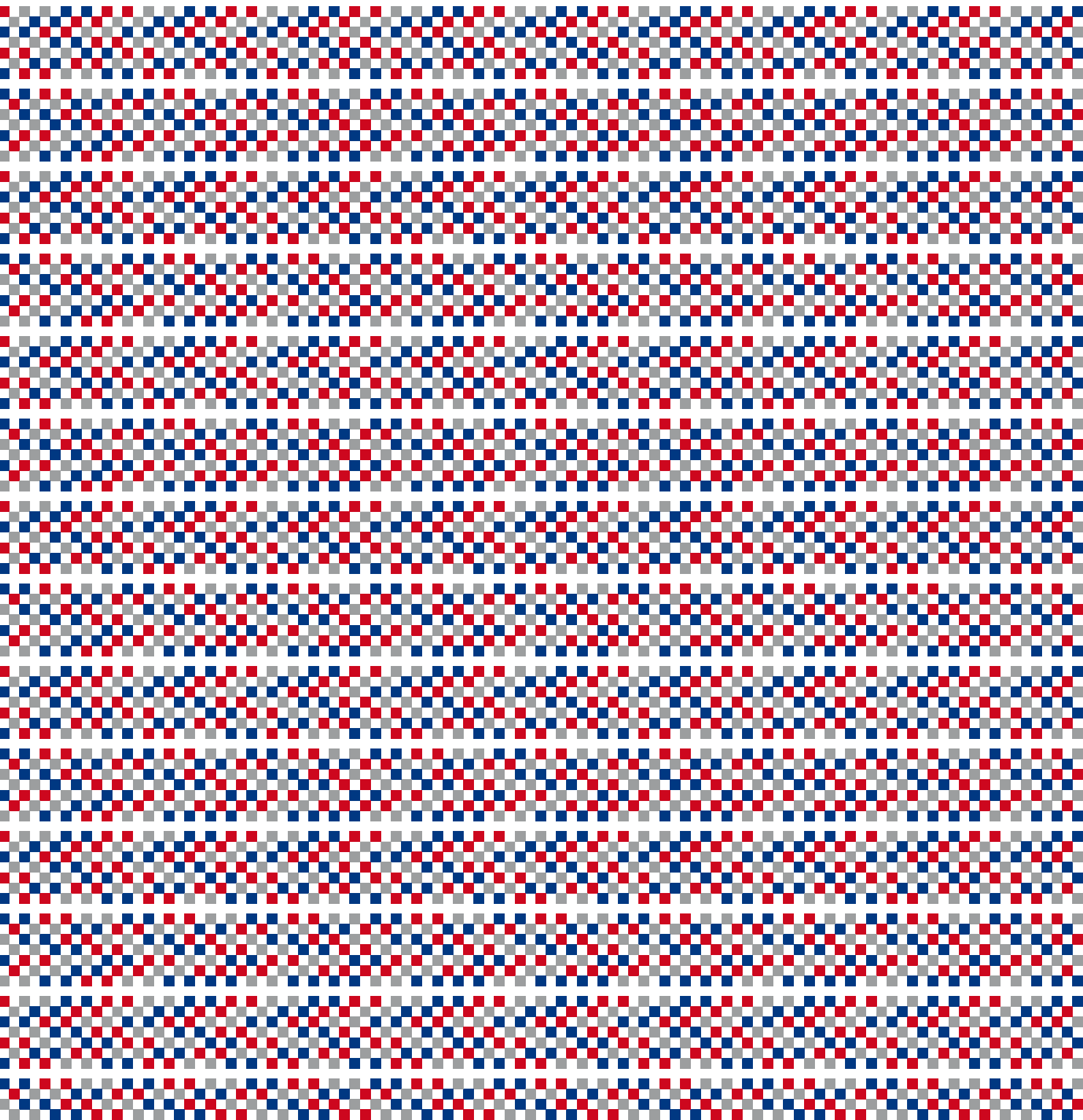
In licensing, 2014 saw a continued trend from preceding periods, when mainly small renewable electricity generators, interested in sustainable and economical energy solutions even without any entitlement to operating aid, applied for electricity generation licences. However, the growth was slower than in the preceding years.

One of ERO major steps taken in 2014 was the issuance of the first ever coordinated decision with the Polish regulator (Urząd regulacji energetyki, URE) approving the cross-border allocation of the costs of the investment in the STORK II Polish-Czech gas pipeline and the Moravia gas pipeline; the Office has achieved a significant reduction in the amount that will be passed through into the regulated prices for final customers in the Czech Republic compared with the applicants' original requirements.

ERO also won for its activities, a major award in the Dynamic Growth and Stability category of the 2014 Czech Top 100 competition; such recognition has been awarded by COMENIUS for a number of years. ERO received the award for its achievements in reducing energy prices for final customers in the electricity and gas industries and also in remedying the consequences of the too generous aid to certain renewable energy sources (renewables, RES). The jury also acknowledged the significant reinforcement of ERO international reputation thanks to ERO Chairwoman, Alena Vitásková's activities in Europe and in the US, mainly as regards energy security.

In 2015, ERO will primarily focus on issues related to consumer protection, i.e. mainly projects enhancing energy security and energy supply to protected customers under the security of supply (SoS). It will also finalise the rules for the fourth regulatory period in the electricity and gas industries, complete the new tariff structure and implement the system of out-of-court consumer dispute resolution. It will continue in its stronger international activities and will join the preparations for the design of the Energy Union as the main objective of the EU's energy policy.

2) Legislation and administration



2) Legislation and administration

2.1 Preparing amendments to Act No 458/2000 and Act No 165/2012

- **Preparing the amendment to Act No 458/2000 (the Energy Act) and Act No 165/2012 (on supported energy sources)**

In line with the Plan of the Cabinet's Legislative Work for 2014, work related to the drafting of the 'large amendment' to the Energy Act was under way, in particular with a view to the need to ensure compliance with the new Civil Code and with the recently adopted rules of oversight, 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, and also Regulation (EU) No 1227/2011 of the European Parliament (EP) and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (REMIT).

Together with the amendment to the Energy Act, an extensive amendment to Act No 165/2012 was also being drafted as part of the same amending law. The main reasons for amending the law on supported energy sources included the need to implement certain provisions of Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, related to support for high-efficiency combined heat and power generation and high-efficiency heat supply systems (some of the Directive's provisions being implemented through the above amendment to the Energy Act), and also the requirements arising from the decision on the notification of Act No 165/2012 to the European Commission in the area of support for renewable electricity: proceedings SA.35177 (2013/N) – Promotion of electricity production from renewable energy sources and high-efficiency combined heat and power generation in respect of aid under Act No 165/2012 on supported energy sources. Last, but not least, amendments also concern certain provisions in connection with the requirements based on practical application and with the requirements for improving the oversight process and optimising the spending of funds on aid.

ERO contributed to the drafting of the 'large amendment' to the Energy Act and the law on supported energy sources in cooperation with the Ministry of Industry and Trade (MIT), which is the guarantor and sponsor of the law. The amendment to both laws passed through the inter-departmental commenting procedure and was subsequently laid before the Cabinet and, in late 2014 before the Chamber of Deputies, the Parliament of the Czech Republic.

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

In 2014, ERO 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 amending certain laws (the Energy Act), as amended, and Act No 165/2012 on supported energy sources and amending certain laws, as amended:

- **Public notice 193/2014 on the method and time limits for the billing and payment of the charge for covering the costs incurred in support for electricity and on the implementation of certain other provisions of the law on supported energy sources**

On 21 May 2014, an amendment to Act No 165/2012 on supported energy sources and amending certain laws was published in the Official Gazette under number 90/2014; the amendment lays down more details of the energy market participants' rights and obligations related to the choice of the charge for covering the costs incurred in support for electricity.

This amendment to the law on supported energy sources has brought about a major change in the system for billing the charges for support of electricity and of distributed electricity generation and in the rules for calculating the subsidies, and the hitherto valid and effective ERO public notice no. 439/2012 on the method and time limits for the billing and payment of the component of the charge for electricity and gas transmission and distribution, which serves for covering the costs incurred in support of electricity, distributed electricity generation and biomethane, and on the implementation of certain other provisions of the law on supported energy sources ('the clearing public notice'), has therefore become inapplicable in practice.

Section 53(2) of the law on supported energy sources authorises ERO to promulgate implementing acts so that the new legislation on the method and time limits for the billing and payment of the charge for covering the costs incurred in support for electricity; the method and time limits for the billing and payment of the charge for covering the costs incurred in support for electricity between the market operator and the TSO and regional distribution system operators (DSO); the method and time limits for the billing and payment of the component of the charge for electricity distribution, which serves for covering support for distributed electricity generation; the method and procedure for calculating the difference between the hourly price and the feed-in tariff and the payment thereof to the market operator; the time limits and method for informing obligatorily purchasing generators and purchasing generators about negative prices achieved on the day-ahead electricity market and about situations where electricity supply and demand on the day-ahead market are not matched, is comprehensive and the new system for selecting the means and for paying the subsidies under the law on supported energy sources can properly work.

ERO therefore drafted a new public notice, no. 193/2014 on the method and time limits for the billing and payment of the charge for covering the costs incurred in support for electricity and on the implementation of certain other provisions of the law on supported energy sources, which supersedes no. 439/2012 and mainly sets out the system and detailed rules for billing the charges for electricity support in line with the amendment to the law on supported energy sources, enacted in Act No 90/2014.

The public notice came into effect on 1 October 2014.

- **Public notice no. 195/2014 on regulatory methods and procedures in the gas industry**

The earlier legislation laid down the method and procedures for price controls for a specified period, i.e. the regulatory period, which had been defined for the gas industry as a five-year period from 1 January 2010 to 31 December 2014. The new public notice extends the regulatory period by one year, i.e. continues in gas industry regulation and lays down the conditions for price controls in the gas industry for a new period from 1 January 2010 to 31 December 2015.

In the past two years, ERO has worked on new rules for the fourth regulatory period in the gas industry; the rules should reflect the situation in the industry, balance the interests of all market

participants, and meet all statutory requirements, in particular Section 19a of the Energy Act. However, the draft amendment to the Energy Act that has been sent by the MIT to the inter-departmental commenting procedure has fundamentally changed the principles of regulation, most notably provisions of Section 19a of the Energy Act. 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. It was primarily for the above reasons that the decision was taken to extend the current regulatory period by one year; in this connection, ERO promulgated public notice no. 195/2014 extending the regulatory period.

The introduction of the investment development factor also responds to the above reasons; it is the only new element incorporated into the current public notice and it ensures that system operators are provided with suitable incentives for investment activities ensuring continuous energy supply and the safe and reliable operation of systems.

The principles of the calculations in the public notice remain in line with public notice no. 140/2009, as amended.

The public notice came into effect on 12 September 2014.

- **Public notice no. 291/2014 amending no. 365/2009 on Gas Market Rules, as amended**

Public notice no. 291/2014, amending no. 365/2009 on Gas Market Rules, as amended, was promulgated under Section 98a(2)(i) of the Energy Act, under which the ERO is authorised to set out the following in a statutory instrument: rules of access to the gas transmission system, to gas distribution systems and to gas storage facilities; the scope of the information published with a view to enabling access to the gas transmission system, distribution systems and storage facilities and methods for managing congestion in the gas system; procedures and time limits for nominations and re-nominations; time limits for requesting contract execution in the gas market and time limits for contract execution; procedures and conditions for transferring and accepting imbalance responsibility; the scope and time limits for transmitting data needed for imbalance evaluation and for billing gas supply and other services; procedures for imbalance evaluation, clearing and balancing and for the clearing and settlement of balancing gas in situations of emergency and in preventing emergencies; SSOs' procedure for selling residual gas from storage facilities upon discharge of gas storage agreements; types of spot market, and their organisation and methods for settlement in these markets; rules for preparing, assigning and using typical gas supply profiles; time limits and procedure for gas supplier switching; procedure in cases of gas supply interruption, curtailment and resumption related to illegal gas consumption, distribution or transmission; and procedure for gas supply by suppliers of last resort.

The public notice also sets out the rules for access to gas storage facilities; the supplier switching process; options of transmission capacity booking for customers directly connected to the transmission system; and options for transmission capacities related to project termination or planned commencement of specific projects for transmission capacity sale offers and allocation at border transfer points.

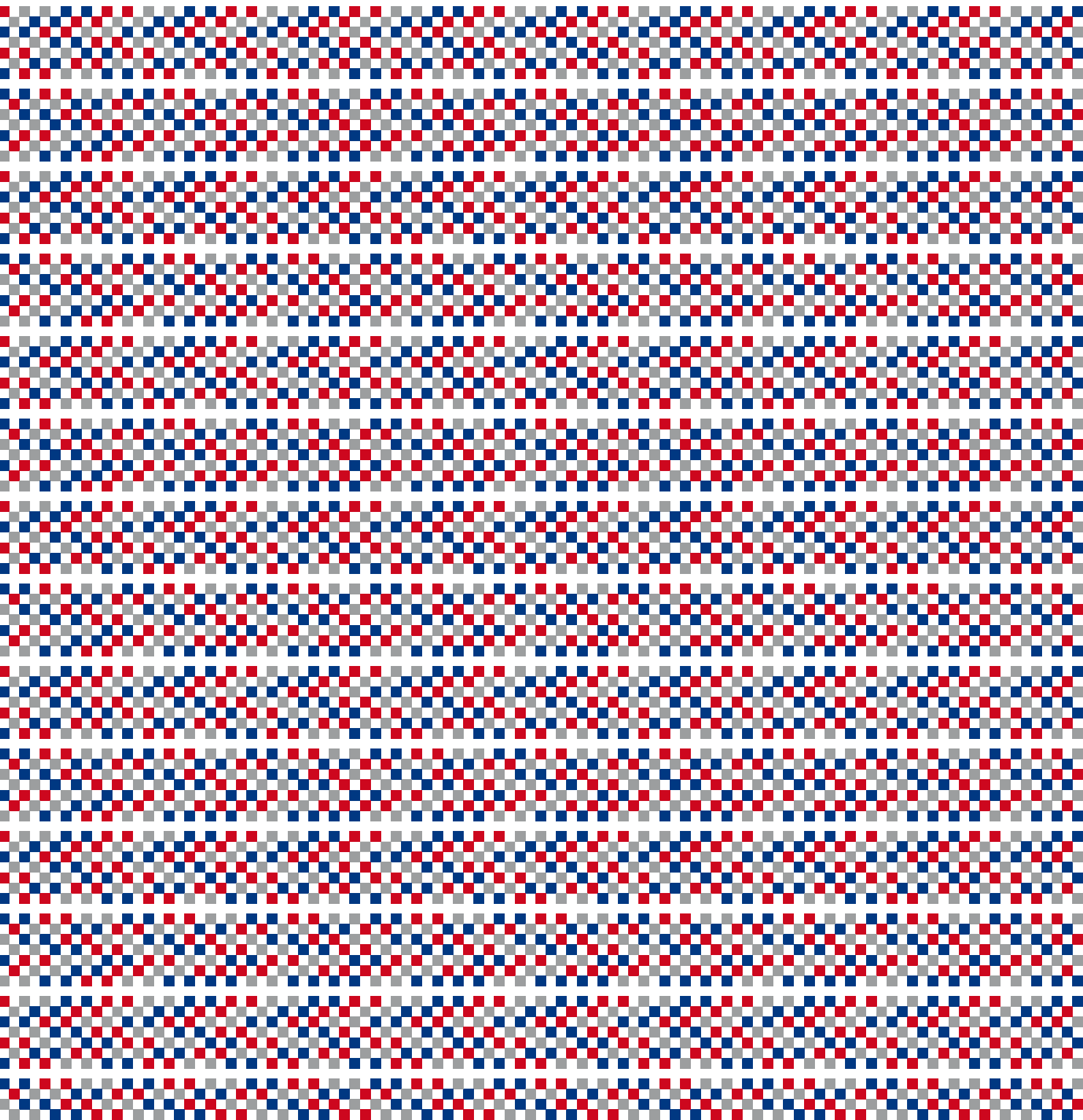
This regulation is rather technical.

This public notice came into effect on 1 January 2015.

2.3 Administrative proceedings

A list of administrative proceedings in 2014 is contained in Appendix 1.

3) Consumer protection – position on the liberalised market



3) Consumer protection – position on the liberalised market

3.1 Policy and strategy in the Czech Republic and the EU

All EU countries have placed increased emphasis on consumer protection in recent years. The purpose of consumer protection is to eliminate the inequality between the positions of the weaker party, the consumer, and a stronger party, the supplier, in contractual relationships.

Under the Energy Act, ERO protects justifiable interests of customers and consumers in energy industries with a view to satisfying their reasonable requirements for energy supply. In Czech and EU legislation, the position of consumers is promoted and their rights are being broadened with a view to ensuring a high level of consumer protection, in particular with regard to the transparency of contract terms and conditions, general information, and an easy process of migration to a different supplier.

In terms of the frequency of electricity and gas supplier switching in the EU, Czech consumers are among the more active. The following has significantly contributed to this situation:

- The precisely defined and standardised supplier switching process,
- Readily available information and guidance for consumers in supplier switching,
- Easily accessible price quotations of alternative suppliers and
- Trustworthy comparisons of various suppliers' quotations, for example, also on ERO website.

ERO pursues the objective of helping the most populated consumer segment, households, to find their way around as they may need in the liberalised market, primarily as regards energy prices, supplier switching and supply quality.

Another aspect conducive to improved protection is consumers' ability to access objective and transparent information about their consumption of energy, the related prices, and the costs of services.

In 2014, ERO began examining the options for simplifying bills so that billing becomes understandable for most consumers in the household segment; ERO therefore opened talks on amendments to public notice no. 210/2011 laying down the scope, particulars, and time limits for billing energy supply and related services.

ERO also monitors the level of competition and market players' position and encourages energy suppliers to accede – as part of the rules of ethical and professional conduct of electricity and gas traders in the supply of these commodities and related services – to the document issued by ERO earlier, i.e. the Code of Ethics for Energy Traders ('the Code'), the purpose of which is to help promote the principles of fair business, good morals and general confidence in the energy market. Energy market players are progressively acceding to the Code, which was amended as of 1 January 2014 to comply with the new Civil Code. A list of electricity and gas traders, specifying those who subscribe to the rules of the Code, is available, together with the Code itself, on ERO website in the Information Centre for Customers section.

In connection with the broadening of legislation on consumer protection the Office had earlier set up a Consumer Protection Unit; in early 2014, it set up the ERO's internal energy ombudsman department.

The Office also works with civic associations and other organisations established for the purpose of consumer rights protection.

3.2 Customers

3.2.1 Consumer Protection Unit

The Czech Republic empowered consumers to a greater extent some time ago, broadening their rights with a view to ensuring a high level of consumer protection, in particular as regards the transparency of contractual terms and conditions, general information and an easier process of supplier switching.

Every year, the Office receives and handles large numbers of consumers' submissions on a very broad range of subjects. The cases tackled can be categorised into a few groups. They concern supplier switching procedures; contract terms and conditions and penalties for early termination; prices and billing; illegal consumption and consequences thereof; peddling and traders' unfair practices; and, not least, consequences of e-auctions. Naturally, complex cases also appear; they fall under several of the above categories due to their content.

Number of submissions accepted and resolved by the consumer protection unit in 2014:

• Submissions in writing	3,032
• Over the telephone	4,843
• Submissions filed in person	347
• Total	8,222

3.2.2 ERO Ombudsman

On 1 February 2014, the Office set up the position of its energy ombudsman with regard to the need to boost consumer protection in energy industries, thereby providing for the future out-of-court/alternative dispute resolution (ADR) as part of preparations for satisfying Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes. This Directive is to be transposed into Czech law. Expertise and independent, impartial, transparent, effective, fast and fair alternative dispute resolution are some of the principles that the ADR Directive lays down for the ombudsman's operation.

The ERO Ombudsman has become a part of the Office; he has been appointed to the position by ERO Chairwoman and his activities are financed from the ERO budget. In his activities, he is independent of public institutions and regulated entities. In future legislation, the provisions on the energy ombudsman should be formulated so as to transpose the ADR Directive into Czech law.

The ERO Ombudsman has been granted the status of a NEON (National Energy Ombudsmen Network) observer and regularly attends its meetings. He has informed NEON members about his activities in energy consumer protection in the Czech Republic, the numbers of submissions addressed, the time it takes to handle them, etc. The result of the cooperation started in 2014 was NEON Chairman's letter to the Czech Prime Minister in early 2015 on the necessity to provide for the energy ombudsman in Czech legislation.

The ombudsman addresses consumers' complaints as these are defined in the Civil Code (Section 409). The energy ombudsman has no decision-making competences, and he has been resolving disputes through negotiation, i.e. conciliation. Where no settlement is reached,

consumers can seek their rights in court. Nevertheless, licence holders have not accommodated the ombudsman only exceptionally, for example, in cases of illegal consumption (which amounts to theft), but even then they tried to resolve the issue, for example, by suggesting a payment schedule.

Some statistics

- Between 1 February and 31 December 2014, ERO Ombudsman accepted 185 submissions; 26 complaints concerned gas, 143 concerned electricity and 16 were related to other areas (heat metering etc.), i.e. complaints that the ERO Ombudsman does not address.
- Written submissions are resolved in 9 days on average.

3.2.3 Dispute resolution

The ERO's competence to decide disputes is established by Article 3(7) of Directive 2009/72/EC (similarly Article 3(3) of Directive 2009/73/EC), under which the Member States shall ensure high levels of consumer protection also with respect to dispute settlement mechanisms.

In this connection, the amendment to the Energy Act, enacted in Act No 211/2011, had transposed the relevant provisions of Directive 2009/72/EC and Directive 2009/73/EC in connection with Annex I into the Energy Act earlier.

Under Section 17(7)(e) of the Energy Act the Office decides disputes between customers and licence holders (consumer disputes), i.e. disputes over the performance of obligations under agreements on gas/electricity supply/distribution; disputes over declaration whether the legal relationship between the customer and the licence holder, the subject matter of which is electricity/gas supply/distribution, has come into existence, continues to exist, or has ceased to exist; and also disputes over compensation for failure to keep the set standards of supply and service quality in the gas industry.

Under Section 17(7)(f) of the Energy Act the Office is also competent to carry out inspections in energy industries and review compliance with the obligations laid down in the law on consumer protection in energy business (unfair commercial practices, prohibition of discrimination against consumers, and the obligation to provide consumers with information about the price of the services provided).

3.3 Customer Information Centre

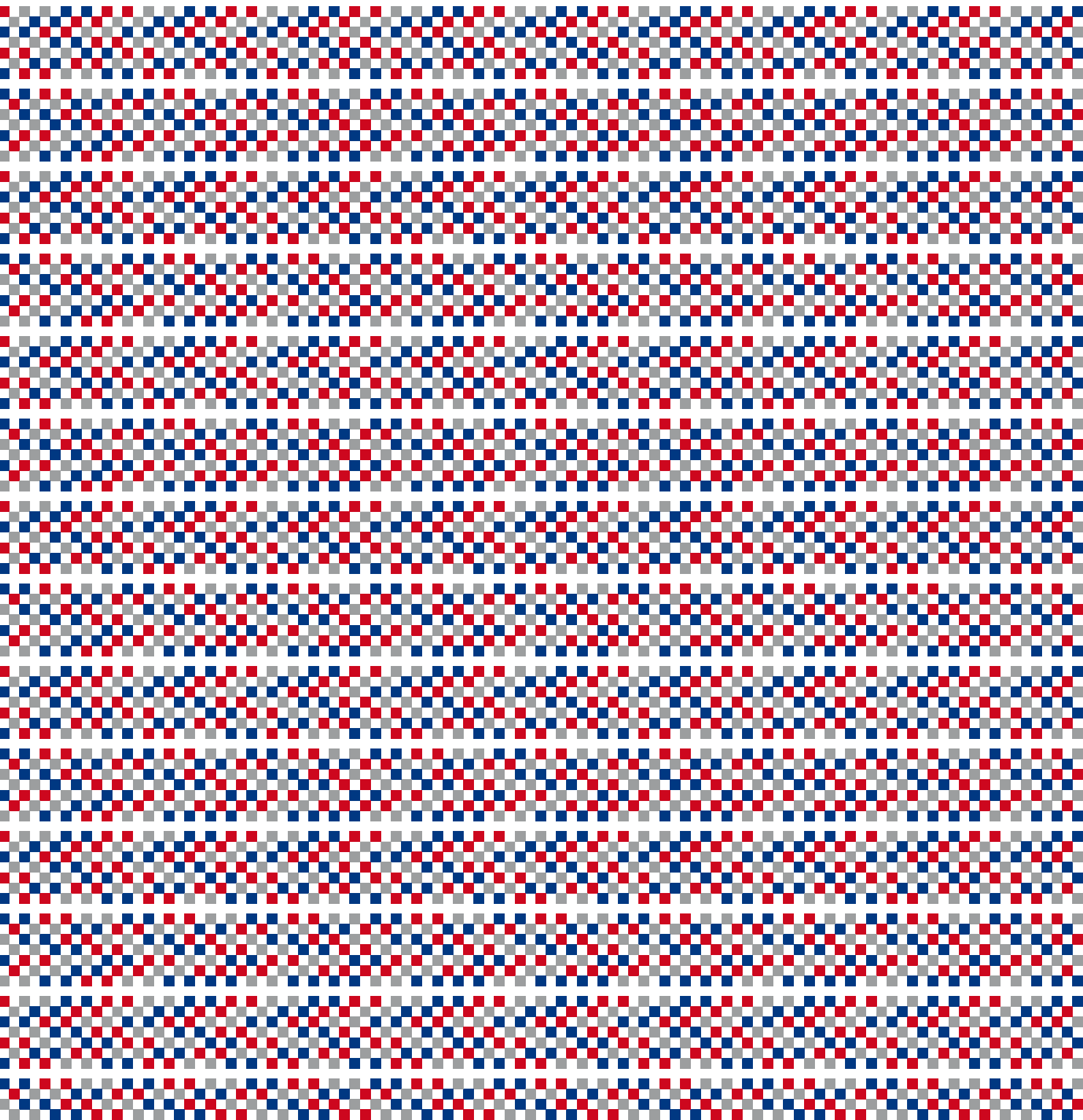
In 2014, the Office's new website concentrated information related to consumer protection within a single section, thereby promoting consumers' awareness of their rights and also simplifying their access to contacts where they can request technical assistance and required information.

The website section called Information Centre for Customers (*infocentrum*) summarises the Office's activities in consumer protection in energy industries. The description itself of the units' activities – the Consumer Protection Unit and the ERO Ombudsman Department – and the posting of contacts therefore help consumers to find their way around when they need to consult their problems.

In addition to the laws on consumer protection in the Czech Republic and a set of answers to frequently asked questions, the website also offers some other information, for example, a brief description of the steps to be taken to switch energy suppliers, links to forms for contract rescission, and links to calculators that compare energy prices.

In the past period, supplier switching became normal practice in the Czech energy market and it has also brought e-auctions for the supply of energy and related services. In this connection the Office has prepared a manual for consumers and municipalities, which highlights the pitfalls and problems associated with this way of procurement.

4) Regulation of network industries



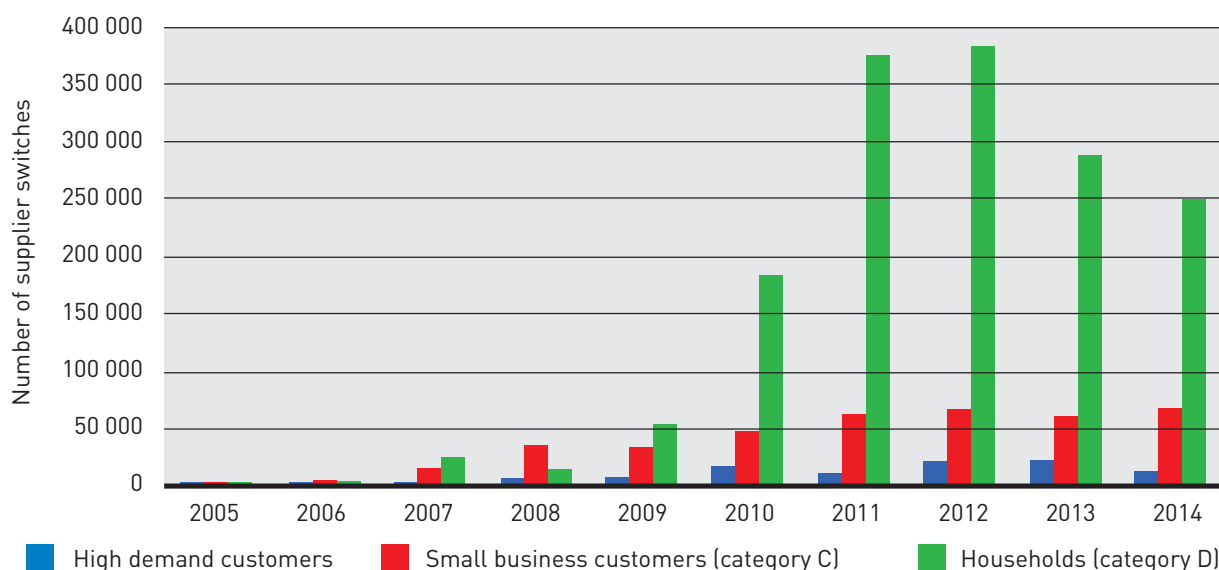
4) Regulation of network industries

4.1 The electricity industry

4.1.1 The electricity market

In 2014, the year-on-year decrease in the number of electricity supplier switches, which had begun in 2013, continued. Unlike 2011 and 2012, when electricity suppliers 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. Large electricity suppliers have also learned to work with their customer portfolios and offer alternative product series in addition to their main product series, and customers therefore do not have to change their supplier because of a change of an energy product. This is borne out by Chart 1 that shows electricity supplier switches between 2005 and 2014. In 2014, approximately 333,000 customers changed their electricity supplier, down by 10.7 per cent on 2013. Details indicate a decrease in electricity supplier switching mainly in the household category. A year-on-year increase in the number of supply point transfers to different suppliers was only registered in the low-demand business category.

Chart 1 Annual electricity supplier switching in the main customer categories



Source: OTE, a.s.

4.1.2 Pricing

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.

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 generators. The price of electrical energy 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 final price of electricity supply (depending on the voltage level to which the customer is connected, the distribution rate, and the customer's consumption).

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

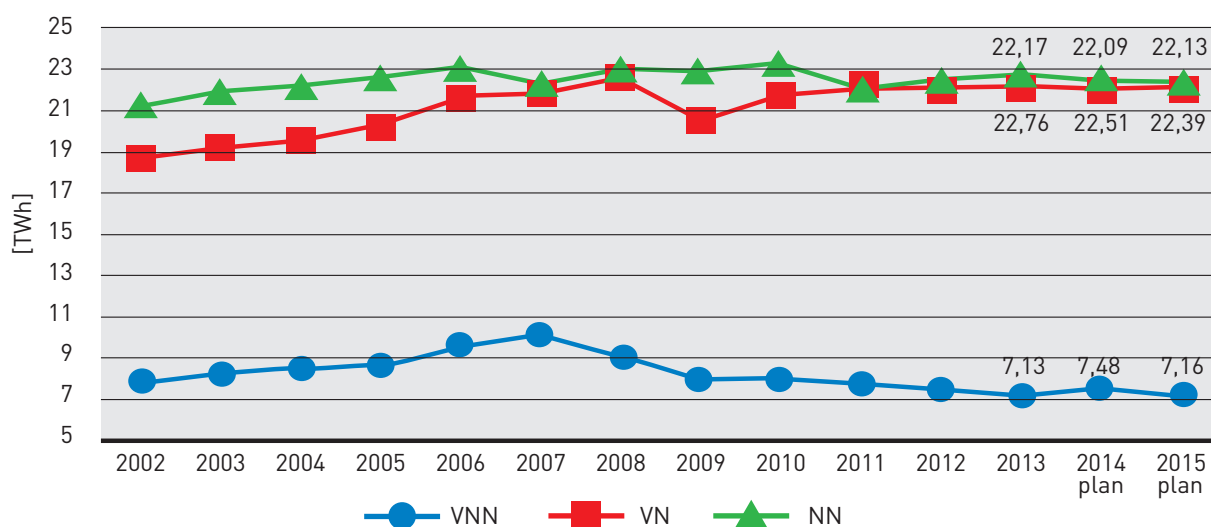
The Office sets out all regulated electricity prices every year in its price decisions by 30 November of the calendar year preceding the regulated year and with effect from 1 January of the regulated year. In 2014, the Office promulgated ERO Price Decision No 2/2014 of 25 November 2014, laying down regulated prices related to electricity supply, and ERO Price Decision No 3/2014, of 25 November 2014, laying down regulated prices related to electricity supply to customers connected to low voltage networks.

4.1.3 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 controls, 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, the 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, system operators' investment activity, and also correction factors.

Chart 2 Consumption at the EHV, HV and LV levels



Note: VNN extra high voltage (EHV [≈HV]); VN high voltage (HV [≈MV]); NN low voltage (LV)

Electricity transmission charges

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

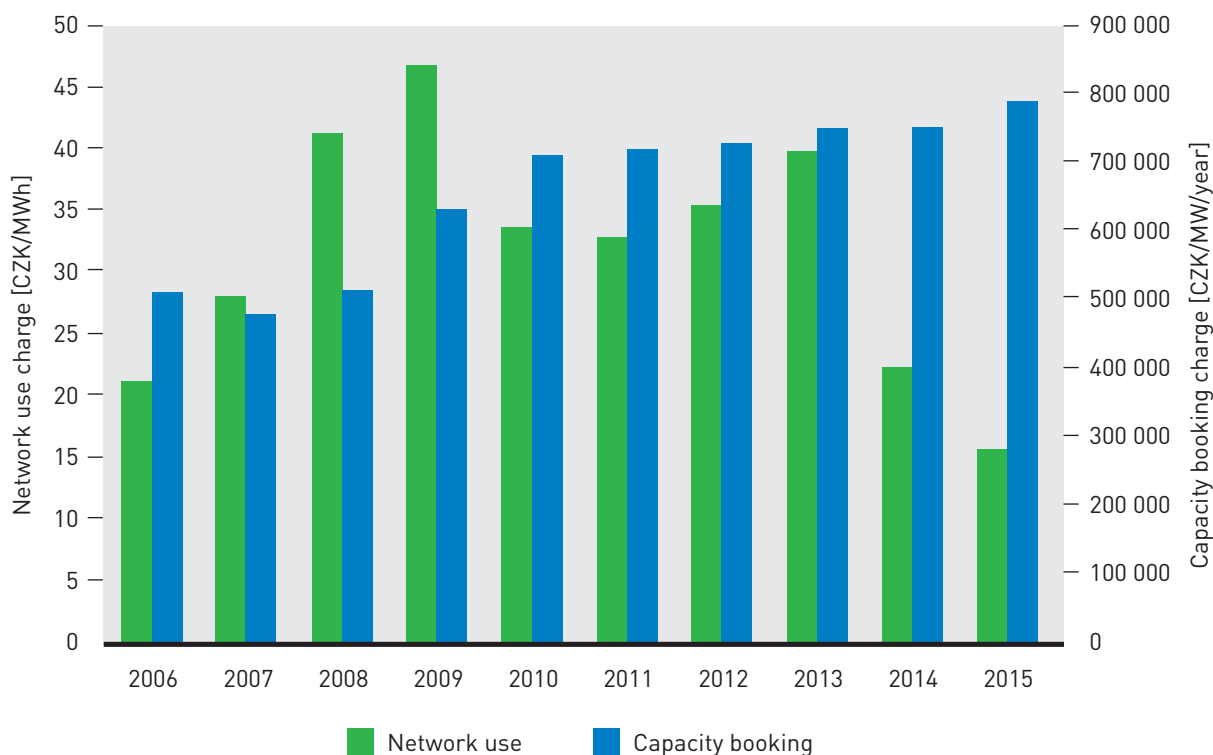
The charge for booked transmission capacity has increased by 5.3 per cent year-on-year. The increase in profit due to the growth of WACC and the TSO’s investment activity and also the decrease in the capacity booked in the transmission system accounted for the largest part of this year-on-year increase in the charge for booked transmission capacity.

The charge for transmission network use has dropped by 29.5 per cent year-on-year. The drop is mainly due to the negative correction factor from 2013 and the lower price of electricity for covering losses in the transmission system. The above factors causing the charges for transmission network use to decrease were dampened by the expected growth of losses in the transmission system and the expected decrease in the quantity of electricity subject to the charge for transmission network use.

The electricity transmission charge is paid by customers within the electricity distribution charge.

Chart 3 shows the electricity transmission charge between 2006 and 2015.

Chart 3 Components of the electricity transmission charge



Electricity distribution charges

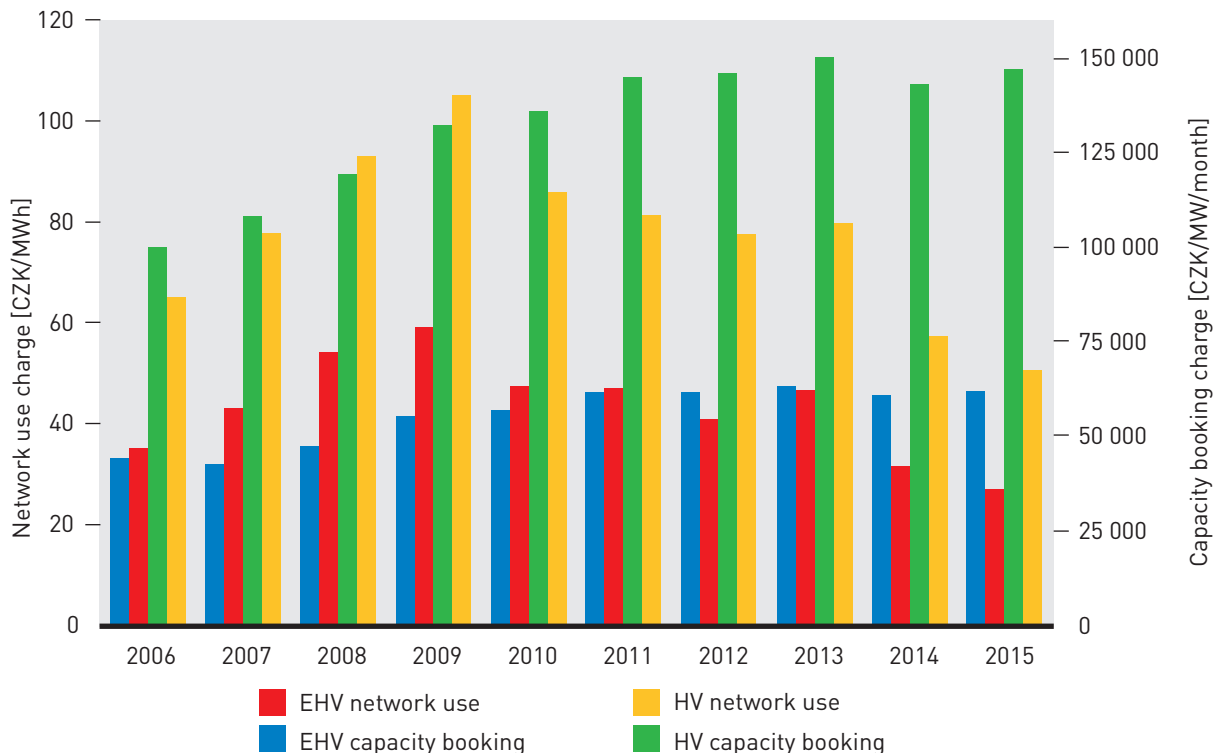
The charge for electricity distribution at EHV and HV levels is composed of a charge for capacity booked in the distribution system and a charge for network use in the distribution system. The charge for electricity distribution at the LV level is composed of a charge for capacity booked in the distribution 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 networks. The charge for using the distribution system network 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 allowed costs, depreciation and profit, and also the different overall booked capacity in the particular distribution system. The charge for distribution capacity booking at the EHV level has grown by 2.3 per cent year-on-year, and at the HV level the charge for distribution capacity booking has grown by 3 per cent year-on-year. As in the case of the charge for transmission capacity booking, the increase in the charge for distribution capacity was mainly due to the increase in profit, caused by the WACC increase.

The charge for distribution network use has dropped by 18.9 per cent year-on-year at the EHV level and by 13.6 per cent at the HV level. This drop is mainly attributable to the decreasing prices of electrical energy for covering losses in distribution systems. The slight decrease in the expected quantity of electricity subject to the charge for distribution network use worked in the opposite direction.

Chart 4 shows the two components of the distribution charge from 2006 to 2015.

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

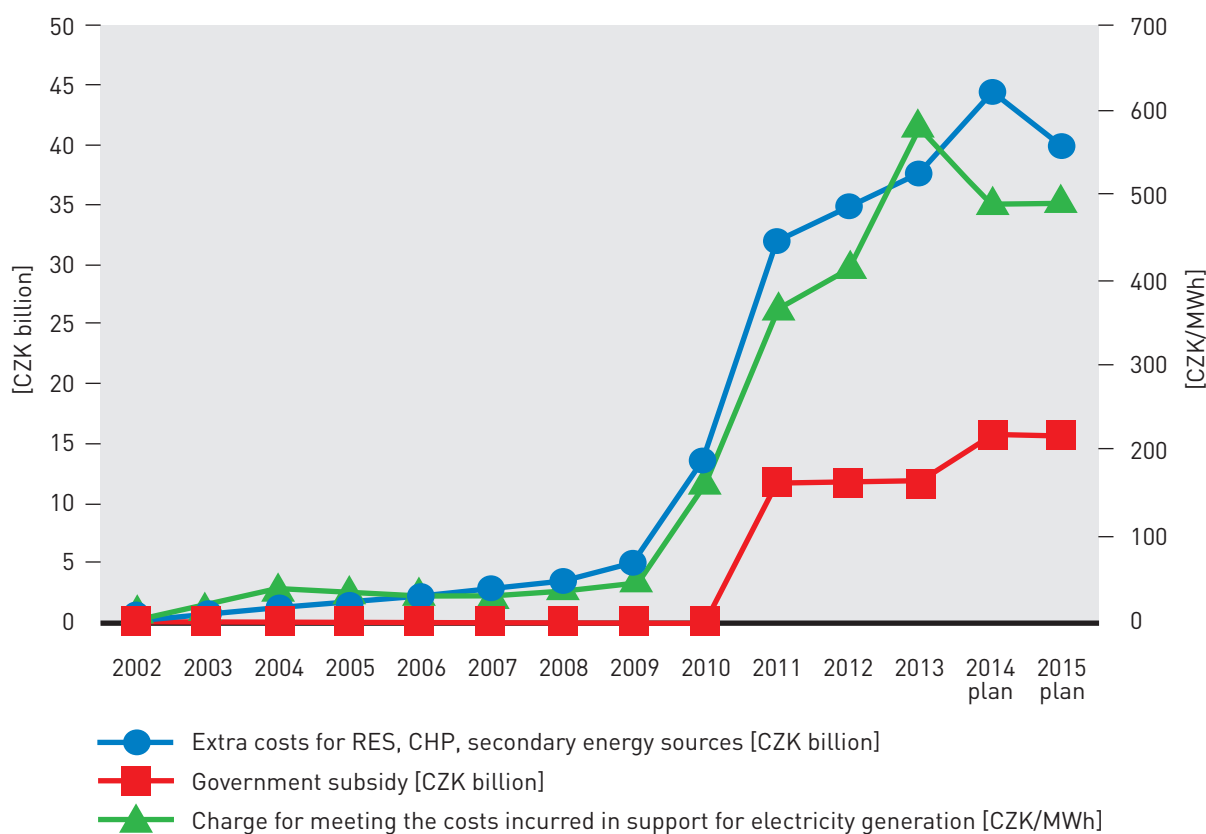


Charge to cover the costs incurred in support for electricity

The charge to meet the costs incurred in support for electricity did not change year to year, which is mainly due to the capping of this charge at CZK 495/MWh in Act No 165/2012 on supported energy sources, as amended. The costs unmet by income from the payments of the charge for meeting the costs incurred in support for electricity, by income from payments for failing to achieve the minimum efficiency of energy use in brown coal firing under Section 6(5) of Act No 406/2000 on energy management, as amended, by the refunded unlawfully drawn aid and by fines paid, are covered from the national budget under Act No 165/2012 on supported energy sources and amending certain laws, as amended.

The charge for meeting the costs incurred in support for electricity and the levels of the funds from the national budget for subsidies and total costs incurred in support for electricity and operating support for heat between 2002 and 2014 are shown in Chart 5.

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



Charge for system services

The charge for system services has dropped by 11.7 per cent year-on-year and amounts to CZK 105.27/MWh for 2015. The charge has decreased 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 was the negative correction factor from 2013. The decrease in the planned quantity of electricity subject to this charge had a negative impact on the charge for system services.

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

The charge for the market operator's activity in the electricity industry in 2015 has been set at CZK 6.94/MWh, down by 8 per cent year-on-year. The decrease in the charge for the market operator's services in the electricity industry is mainly due to the lower costs of administering the support for electricity and also the negative correction factor for 2013. A factor working against the decrease in the charge for the market operator's services in the electricity industry was the decrease in the expected quantity of electricity consumed in the Czech Republic.

Electricity supply prices for households and low-demand business customers

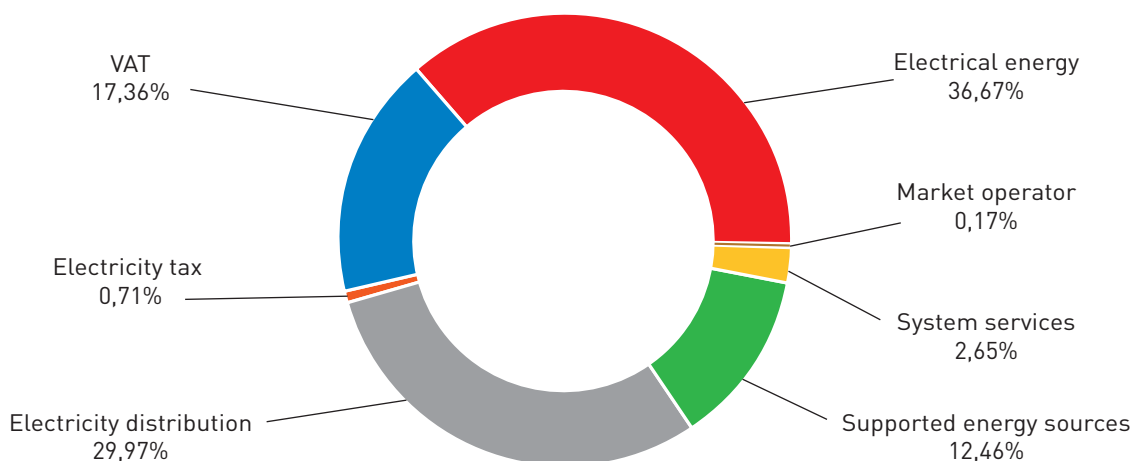
The average regulated component of the price related to electricity supply for households for 2015 amounts to CZK 1,797.50/MWh, down by 1.2 per cent year-on-year (on a comparable basis in terms of the nature and amount of planned electricity consumption when comparing the charge for electricity distribution for 2014 and 2015).

The average regulated component of the price related to electricity supply for low-demand businesses for 2015 amounts to CZK 2,050.94/MWh, down by 1.9 per cent year-on-year (on a comparable basis in terms of the nature and amount of planned electricity consumption when comparing the charge for electricity distribution for 2014 and 2015).

CZK 1,456/MWh is the indicative amount of the unregulated price of electrical energy for households in 2015.

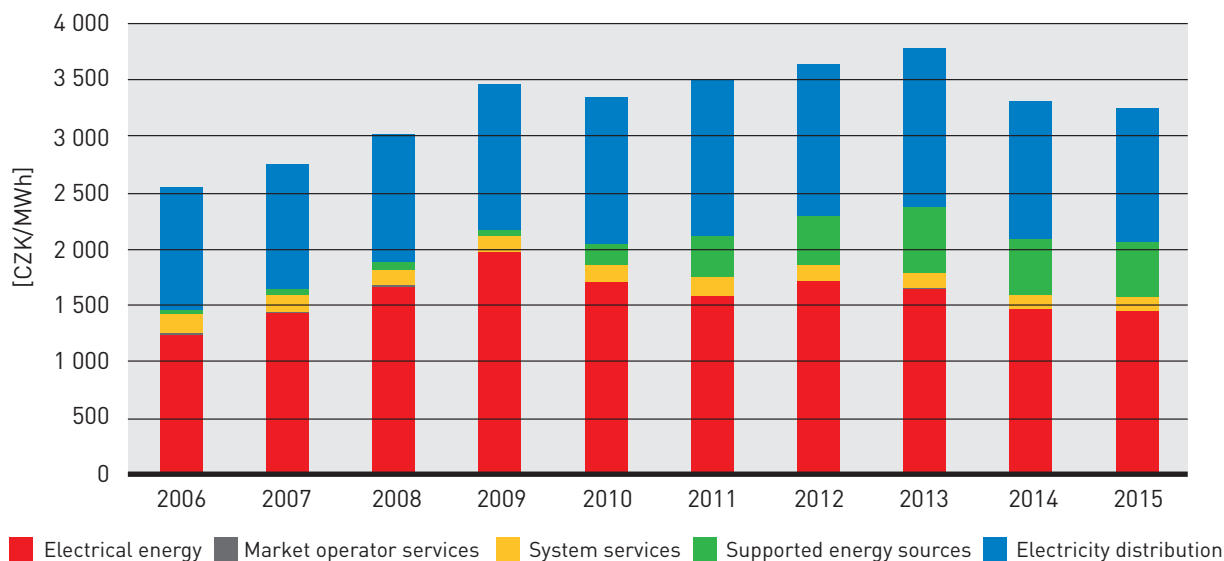
However, the final price of electricity supply for each particular customer will differ depending on the region in which the customer is connected to the grid due to the nature and type of the customer's demand, including the choice of the electrical energy supplier and its specific energy product. Chart 6 shows the percentage shares (including VAT and electricity tax) of each of the components in the resulting price of electricity supply for households for 2015.

Chart 6 Percentage shares taken by each of the components of the price of electricity supply for households in 2015 (including tax items)



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

Chart 7 Average prices of electricity supply for households



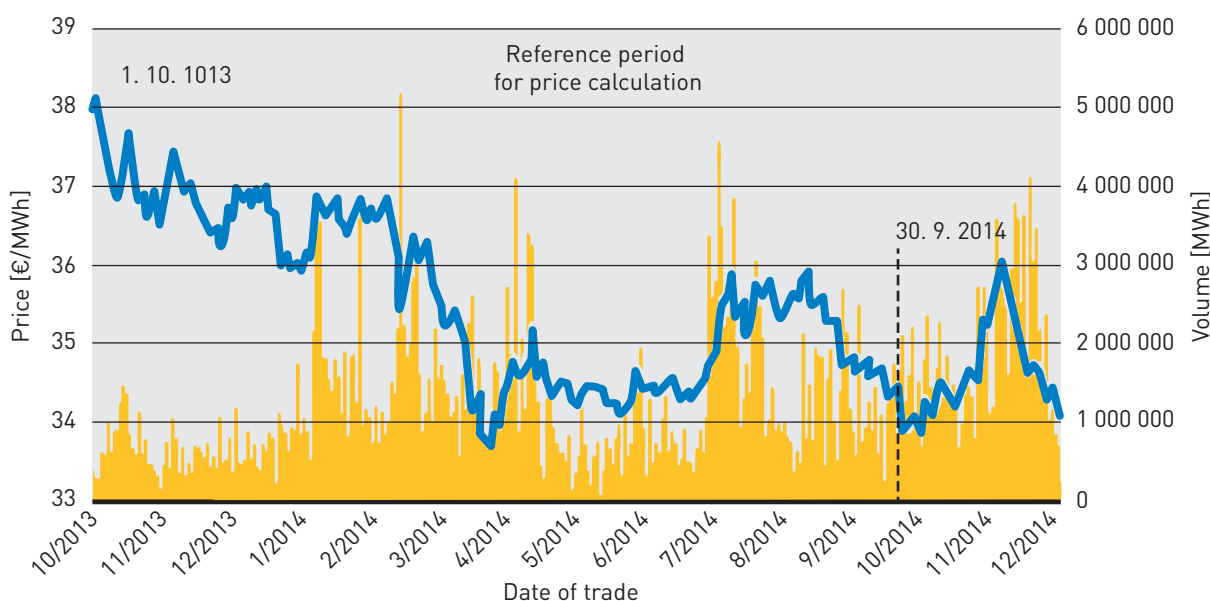
4.1.4 Unregulated energy price of the electrical energy

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 2015 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 and 2014 at the EEX energy exchange



4.1.5 Assessment of the development plan for the electricity transmission system

Section 24(10)(j) of the Energy Act requires ČEPS, a.s., the TSO, 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.

Under the law, the Office shall also assess the investments planned in the investment programme in detail every year. The ERO then carries 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 2014 covered the period 2015-2024 and included capital expenditure of some CZK 44.9 billion for ten years, with the capital expenditure allocated more or less evenly to each of the years. 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 to 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 (Dětmárovice, Prosenice, Lískovec, Verněřov, Vítkov, Chodov and the new Praha-Sever supply station).

The rising power in 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 received the ten-year investment plan submitted by ČEPS on 5 November 2014, when administrative proceedings were initiated. As part of these administrative proceedings the Office also assesses compliance of the transmission system development plans with Community-wide ten-year network development plans under Regulation No 714/2009 (EC) on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003; however, under Section 16(n) of Act No 458/2000, as amended, the company must also submit a firm opinion of the MIT. On 5 December 2014, however, the MIT sent a request for supplementing the development plan, making its firm opinion conditional on the supplement. This opinion had not been submitted by the end of 2014. The administrative proceedings will therefore be completed in 2015.

4.1.6 Supported energy sources

The law on supported energy sources (POZE) was in effect for the second year in 2014. That year also saw the first impacts of the amendment to the POZE law enacted in 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. With the exception of small hydroelectric power stations, the amendment discontinued aid to all new plants using renewables as of 1 January 2014 and also set out the maximum charge to cover the costs incurred in support for electricity. The year 2014 was also important because of the long awaited outputs from the notification of this law. In 2014, the Office and MIT helped to draft the 'large amendment' to Act No 165/2012; the Office sought to ensure that the funds channelled into aid to electricity generation from supported energy sources are spent effectively. The main point was the provision on electricity metering by meters that directly influence the amount of the state aid paid and that are not defined in the currently applicable legislation. Another proposal, seeking to carry out, in part, the Czech Republic's obligation in the ongoing notification of Act No 165/2012, concerned the potential revision of the amount of aid (i.e. the maximum possible quantity of supported electricity), but upon a recommendation from the Government's Legislative Council, the proposed change was omitted.

In 2014, the Office also sought to accommodate renewable electricity producers and, motivated by its effort to provide them with sufficient time to opt for a change of the form of support, it issued well in advance of the statutory time limit (12 November 2014), price decision no. 1/2014 laying down support for supported energy sources. The Office posted the draft of this price decision on its website as early as mid-October and all participants in the consultation process had enough time to comment on the draft. Due to expectations of additional outputs from the notification process for Act No 165/2012, which would have to be incorporated into the subsequent price decision for 2016, the changes implemented in the price decision for 2015 were only very limited.

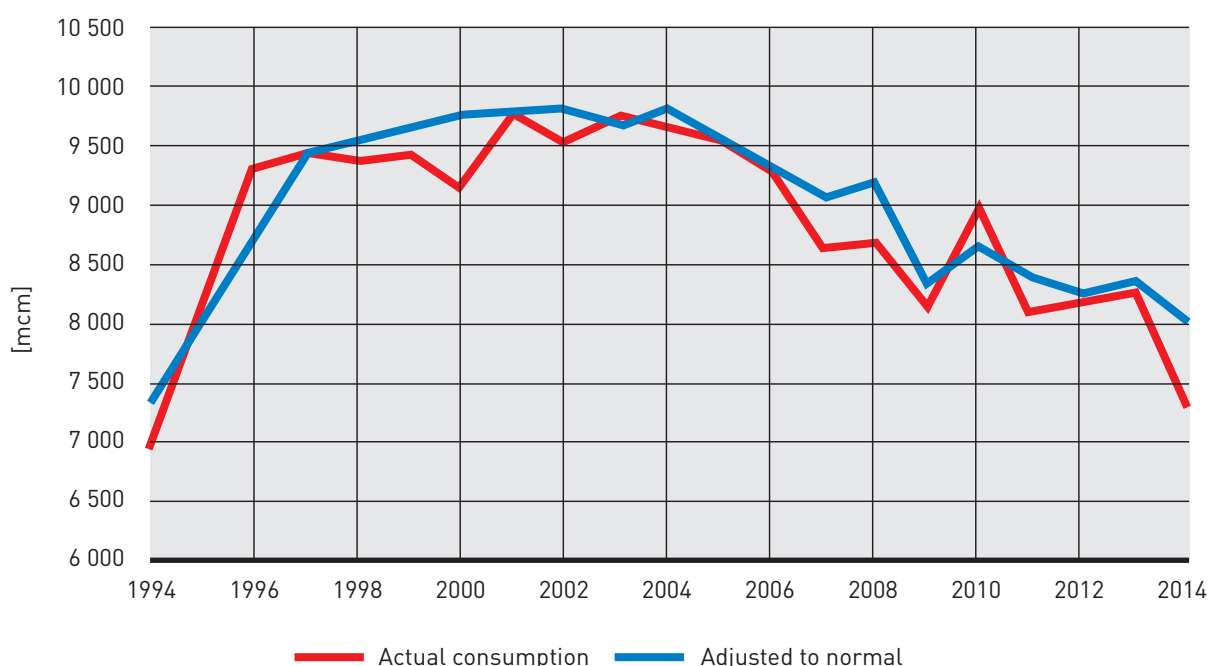
In calculating the amount of aid for supported energy sources the Office took into account all the plans pursued by the Office for a long time, i.e. calculate the optimum amount of aid to minimise its impacts on consumers. In the case of plants where the price of the input fuel influences the amount of the set aid, the Office places emphasis on ensuring that support for electricity is tied to the maximum efficient use of the co-generated heat. In this connection the Office has made it possible, in price decision no. 1/2014, for existing biogas stations that increase the installed capacity of the plant using a new electricity generating installation without claiming support for renewable electricity to claim, for the electricity generated by that installation, a new supplementary rate for electricity from high-efficiency combined heat and power generation (CHP). Another change was allowing plants using gas as their primary fuel to use some other fuel as well while preserving the opportunity to apply, for the share of electricity from gas, supplementary rate I in addition to the basic rate of the annual green premium for all electricity from CHP set out in price decision no. 1/2014. Due to this measure generators are able to optimise their production costs while preserving their operating support, thereby also directly influencing the resulting price of heat for final customers. In calculating the amount of green premiums for renewable electricity for 2015, the Office has set their level so as to minimise the risk of an increase in the extra costs of support for supported energy sources but at the same time to maximise the renewable electricity quantity that can be placed on the market. In the case of electricity generated from biomass in cogeneration with a non-renewable energy source, which significantly contributes to the meeting of the Czech Republic's mandatory target set by the European Commission (EC) for the share of energy from RES and is also one of the least expensive in terms of the costs of aid, the Office slightly increased the incentive for renewable and non-renewable source co-firing with a view to arresting the continuous year-to-year decline in production based on this method of biomass use in electricity generation.

4.2 The gas industry

In 2014, gas consumption in the Czech Republic amounted to 77,409.1 GWh (7,280.3 mcm) on a tentative basis. Actual consumption dropped by 12 per cent on 2013 mainly due to the extremely warm weather in the winter months of 2014. In January 2014, the highest monthly consumption was registered at 11,367.9 GWh (1,067.2 mcm). Daily gas consumption peaked on 27 January 2014 at 478.873 GWh (44.959 mcm), when the average daily temperature was minus 4.1 °C. The reference hourly reading was prepared for this day.

Adjusted to long-term normal temperatures, annual gas consumption amounted to 85,490.5 GWh (8,040.6 mcm) in 2014. Adjusted actual annual consumption decreased by 3.7 per cent on 2013. The country's actual and adjusted gas consumption between 1994 and 2014 is shown in Chart 9.

Chart 9 Annual gas consumption between 1994 and 2014



Customers connected to gas systems are categorised as high demand, medium-sized demand, low demand and household customers. They are included in these categories on the basis of the purpose of their gas use and annual consumption. In 2014, high demand customers were responsible for the largest share of gas consumption; they took 36,264 GWh, i.e. 46.8 per cent of the total gas quantity consumed in the Czech Republic. They were followed by household customers who took 21,253 GWh (27.5%), low demand customers taking 10,424 GWh (13.5%) and medium-sized demand customers with 7,578 GWh (9.8%). Annual gas consumption also includes 'other gas' and house load of gas producers, who took 2.4 per cent of the total gas quantity consumed in the Czech Republic.

Highlights of 2014

In 2014, the Office decided to extend the current third regulatory period (2010-2014) by one year until the end of 2015. The reason was the work under way on an amendment to the Energy Act, which will have a heavy impact on the regulatory methodology and rules. The charges for gas transmission and distribution and for the market operator's services for 2015 were set in line with the methodology applicable to the third regulatory period.

From the perspective of the development of the gas infrastructure, and with a bearing on ensuring gas supply security in central Europe, a major event was the issuance of a coordinated administrative decision on 17 October 2014, setting out a mechanism of mutual payment guarantees related to the Polish-Czech STORK II bidirectional interconnector and the inclusion thereof in the gas transmission charges. In addition to the gas interconnector itself, the decision also covers the corresponding section of the Moravia gas pipeline that will constitute important technical support for the interconnector. This decision ensures the applicability of the mechanism of mutually conditional guarantees, which in turn ensures the viability of this project and helps to mitigate the risk inherent in failure to achieve the required revenues at the border point related to this project.

4.2.1 The gas market

The retail market

In 2014, the Office registered 59 active gas traders who reported gas supply to customers. Compared with 2013 their number decreased by three, confirming the trend from preceding years, which vindicates the fact that following liberalisation started in 2005-2007 the gas market has reached a situation where the competitive environment is fully developed and new players will look for space for their business on the market only with great difficulties. Earlier, alternative suppliers benefited mainly from customer attrition from incumbent traders. In recent years, these incumbents have been successful in fending off this attrition through their more proactive approach to customers and offers of more comprehensive customer services. Dissatisfied with alternative suppliers, some customers are even returning to the incumbent, well-established gas traders. This vindicates the gas market settings and their focus on free market mechanisms that themselves inform the market and allow pressures on prices.

As in the preceding years, in 2014 some of the customers remained bound by fixed-term contracts. Penalties can be charged to customers for early termination of such contracts and supplier switching frequently becomes disadvantageous in such cases. The number of customers who are willing to change their supplier was smaller compared with preceding years.

At the end of 2014, the Office registered 2,849,159 customers taking gas; compared with 2013 there were 9,715 fewer customers, i.e. a loss of 0.3 per cent.

In 2014, the household category had the largest number of customers, 2,642,898, 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 197,824 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 6,841 customers and the high demand category (i.e. customers taking more than 4,200 MWh per year) had 1,596 customers.

In 2014, 200,389 customers switched their supplier, i.e. about 97,000 fewer than in 2013. The largest number of supplier switches (174,783) took place in the household category, accounting for 87.2 per cent of all switches.

In the low demand category, 23,704 supplier switches took place, i.e. 11.8 per cent of the total number of changes; the medium-sized demand customer category saw 1,572 supplier switches; and 330 high demand customers switched their supplier.

In all customer categories the largest number of supplier switches took place in January. The reason is that customers often have gas supply agreements in place for a calendar year or respond to changes in price lists and as of 1 January change their trader for the following period.

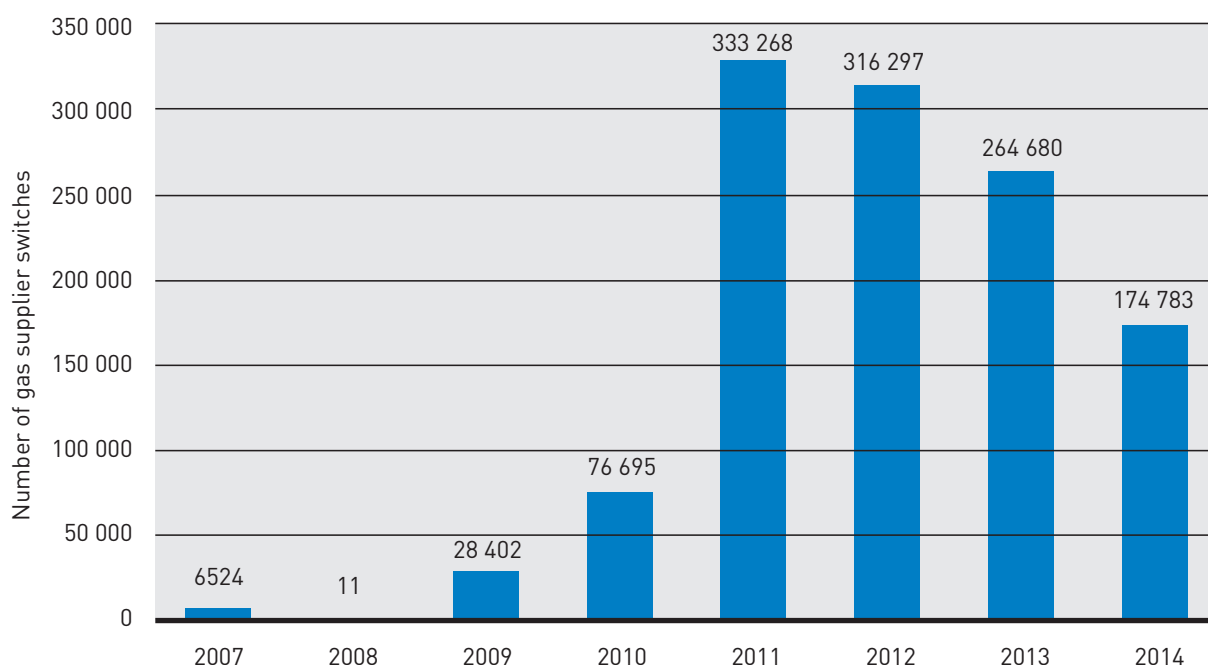
Table 1 Gas supplier switches

Type of demand	2013	2014	2014	2014
	Number of supplier switches	Number of supplier switches	Total number of supply points	Switching (%)
High demand	449	330	1,596	20.7
Medium-sized demand	3,061	1,572	6,841	23.0
Low demand	29,091	23,704	197,824	12.0
Households	264,680	174,783	2,642,898	6.6
Total	297,281	200,389	2,849,159	7.0

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

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.

Chart 10 Annual gas supplier switches in the household category



The wholesale market

The Office does not regulate the wholesale price of gas supply. The prices of gas supply services depend only on the agreement between the counterparties and the current situation on the market.

In practical terms, traders can procure gas on the wholesale market in three ways: under long-term contracts, on commodity exchanges or from another trader.

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. These price formulae usually work with commodity prices averaged over a longer reference period (six to nine months) to provide for a stronger stability of the resulting prices when the prices of competing fuels rise or fall. Thus, oil product prices are reflected in the formula-based prices after this lag.

However, the trend today is that gas traders abandon price formulae completely or change their structure to match the actual situation on the gas market. Oil prices therefore currently have a much weaker impact on gas prices than a year or two ago. The larger part of gas is bought and sold on commodity exchanges or on the OTC market, where prices are mainly influenced by supply and demand rather than oil prices.

4.2.2 Pricing

The Czech gas market has been fully open since 1 January 2007 and the final prices for gas supply are therefore composed of a part regulated by the ERO and an unregulated part.

The Office regulates prices in the gas industry in areas where competition is not feasible for technical or organisational reasons. In 2014, the Office set regulated prices for licensed activities in the gas industry: gas transmission and distribution and the charges for the market operator's services, and also put in place the conditions for gas pricing by suppliers of last resort.

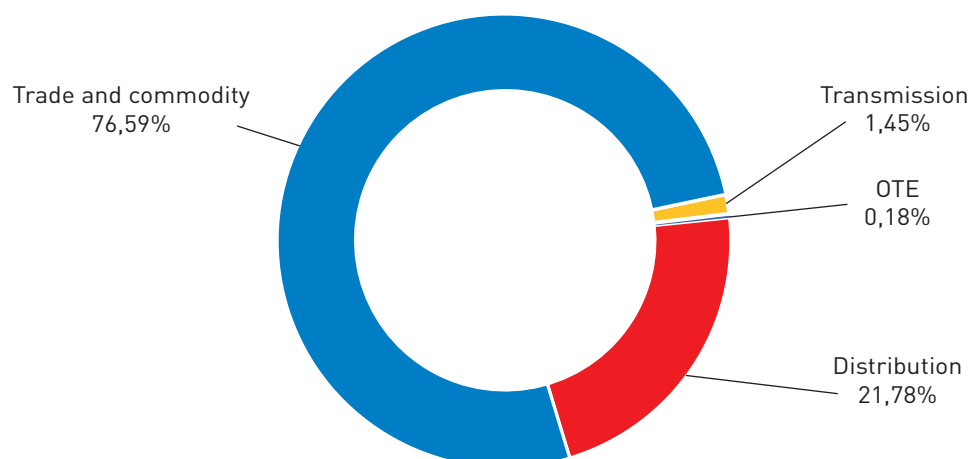
Price regulation related to gas storage and gas trade licence holders was discontinued as of 1 April 2007, and the Office is currently not authorised to set prices for supply services provided by gas traders (businesses operating under gas trade licences) or storage prices, and they are therefore unregulated prices.

Regulated prices related to gas supply are set annually under the applicable legislation. In 2014, regulated prices for 2015 were set under the Energy Act and public notice no. 195/2014 on price regulation methods and procedures in the gas industry.

In the gas industry, the Office's important activity was the drafting and promulgation of the price decision on regulated prices related to gas supply, which came into effect as of 1 January 2015. This price decision specifies the regulated charges for gas transmission and distribution and for the market operator's services for the calendar year 2015.

In 2014, another major task for the Office was to prepare the regulatory conditions and principles for the fourth regulatory period. December 2014 saw a public consultation process for the general regulatory methodology proposal for that period, applicable to the electricity and gas industries.

Chart 11 Structure of the average gas supply price for household customers in 2014 (net of tax items)



4.2.3 Regulated prices related to gas supply

Gas transmission charges

NET4GAS, s.r.o. is the TSO in the Czech Republic; it manages more than 3,800 km of gas pipelines serving for transit and inland gas transmission.

Transmission charges are double-component charges composed of a fixed component for booked transmission capacity and a variable component for transported gas quantity. From the customers' perspective, the regulated charges for gas transmission are integrated within the gas distribution charges.

For 2015, the TSO's adjusted allowed revenues have increased by about 41 per cent on 2014. One of the main reasons is the almost fivefold increase in allowed costs of the flexibility service, which has been procured in public competitive bidding since 2010 and is one of the tools helping to balance the gas system. Another major cause that had an unfavourable influence on the gas transmission charge is the almost fourfold increase in the value of the correction factor that represents the difference between the expected and actual revenues from gas transmission in the period under review, i.e. in this case 2013. The positive value of the correction factor, attributable to the lower than planned use of the entry and exit points into and from the virtual gas storage facilities, means that the TSO did not obtain all the funds that had been set for it; the reason is the declining demand for storage services (this trend is visible throughout the EU).

At the exit from and entry into the Czech Republic gas is accepted and delivered at border transfer stations: between the Czech Republic and Slovakia at Lanžhot, between the Czech Republic and Germany at Hora Svaté Kateřiny – Sayda, Hora Svaté Kateřiny – Olbernhau, Waidhaus, and Brandov, and between the Czech Republic and Poland at Cieszyn.

In calculating the charges for using the entry border points of the gas transmission system, the fixed charges for daily booked firm transmission capacity for entry border points were increased by 3.6 per cent, and for entry points from virtual gas storage facilities the fixed component was reduced by 40 per cent with a view to promoting the use of Czech storage capacities.

Fixed charges for daily booked firm transmission capacity at the exit border points of the gas transmission system have been kept at their 2014 levels, with the exception of the Lanžhot border transfer point at which the charge has been raised by 8 per cent. Fixed charges for daily booked long-term firm transmission capacity at the exit border points have been reduced by 5 per cent with a view to promoting long-term contracts, which help to stabilise the use of the gas transmission system.

The variable parts of the charges have been set with a view to covering the TSO's fuel gas consumption at compressor stations, which are needed for maintaining the pressure parameters in the network and smooth gas supply to customers.

Gas distribution charges

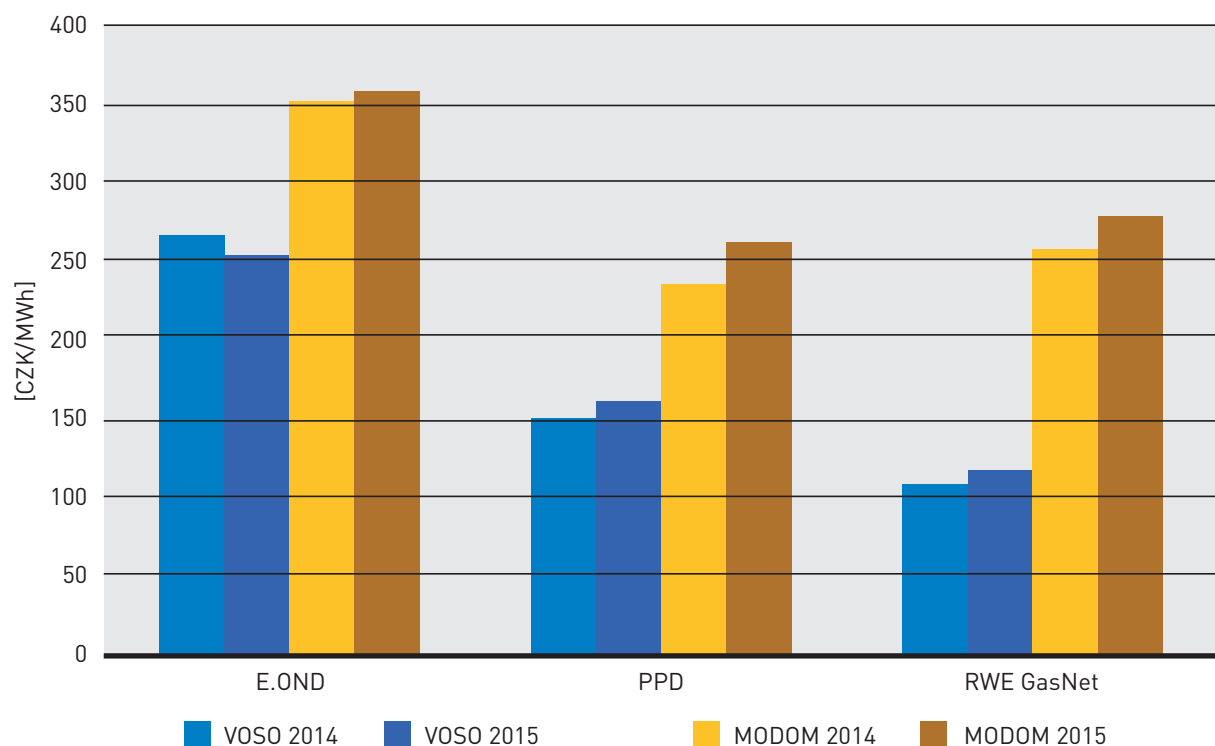
The regulated gas distribution charge is, in most cases, a double-component charge, the same as the regulated charge for gas transmission, and has a variable component and a fixed component.

The variable component of the distribution charge depends on the gas quantity consumed and is set as a fixed price for gas taken, in CZK per MWh, for the low-demand business and household category (MODOM), and, separately for the high-demand and medium-sized demand customer category (VOSO).

For customers in the low demand and household category (MODOM), whose annual gas demand does not exceed 63 MWh, the fixed component of the charge is determined by the amount of the standing monthly charge for available capacity, the relevant distribution area and also the offtake band determined on the basis of adjusted annual demand at the supply point. Customers in the low demand and household category 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 m³. The fixed component of the charge for customers in the high and medium-sized demand categories (VOSO) is determined using a logarithmic formula depending on the daily booked distribution capacity. Customers usually pay it monthly as a fixed charge for daily booked capacity.

For all customer categories, the charge for gas distribution, which includes gas transmission to the domestic point, has increased by 7.44 per cent on average in 2015 on 2014. The main reasons for increasing the distribution charge include the higher charges for gas transmission to the domestic point, which are integrated within the gas distribution charge, a drop in the gas quantity planned for distribution, and positive values of correction factors, which represent the difference between the actual and planned revenues from gas distribution in the period under review. Average distribution charges, including transmission to the domestic point, have increased for both MODOM and VOSO categories for 2015. The only exception is the average charge for VOSO customers of the DSO E.ON Distribuce, a.s., where prices have dropped by 4.95 per cent year-on-year due to a larger gas quantity planned for distribution and a reduction in the relevant adjusted allowed revenues.

Chart 12 Comparison of average regulated charges for gas distribution (distribution, transmission and OTE) in 2014 and 2015, by DSO



VOSO – high-demand and medium-sized demand category

MODOM – low demand and households

On the basis of the data supplied by DSOs, in 2014 the Office analysed and evaluated the use of the products and tariffs set out in the relevant price decision.

One of these products is the single-component distribution charge where only the variable part of the payment for the gas quantity consumed is billed in CZK/MWh. Only customers who are able to book firm distribution capacity can request this charge, i.e. it is intended for customers who know exactly the size and profile of their demand. This single-component charge is calculated for a specific supply point of the customer, following the procedure set out in the applicable price decision, and is mainly intended for customers with a markedly seasonal nature of demand (for example, peak-shaving and back-up heat sources, tarmac plants, or grain drying plants).

Another product is the booking of daily firm distribution capacity for an unspecified period of time to the extent of the historical maximum daily gas offtake, which is intended for customers who do not or cannot work with a combination of an annual capacity and short-term distribution capacities (monthly or rolling capacity) and want to avoid the consequences of exceeding the agreed booked capacity.

The Office also assessed the utilisation of short-term distribution capacities, i.e. monthly or rolling distribution capacities.

On the basis of the evaluated data the Office found all of the above products in use, and their existence is therefore warranted.

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

The holder of the exclusive market operation licence for the Czech Republic is OTE, a.s., which 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, and provision of actual values of gas supply and take and other required information related to the billing of gas supply and take to gas market participants.

The clearing service is subject to three charges: the charge for the registration of cleared entities, in CZK, which is paid as a lump sum by the cleared entity directly to the market operator; the fixed charge for the clearing activity, in CZK/year, which is paid by registered cleared entities; and the fixed charge for clearing, the amount of which depends on the gas quantity consumed. The fixed charge for clearing is paid by customers, gas producers, the gas TSO, storage system operators and DSOs depending on the gas quantity they take.

Registered gas market participants who are not cleared entities pay a fixed charge for the provision of actual values, which they use for billing. The charge for the quantity traded on the organised market is billed for services 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.

For 2015 a fixed clearing charge was set at CZK 2.16/MWh. This charge contains a special fee for the Office's activities under Section 17d of the Energy Act, set at CZK 1/MWh of consumed gas. In 2015, the fixed clearing charge will increase compared with the charge applicable in 2014 (CZK 2.13/MWh) to return to the level of this charge in 2013. The reason for this hike was the value of the correction factor attributable primarily to the smaller planned quantity of gas supplied to supply points.

Other regulated charges for the market operator's services contained in the Office's price decision have remained at the 2014 level for 2015.

Price for the supplier of last resort

Where a supplier discontinues gas supply to customers due to losing its authorisation or ability to supply gas, the supplier of last resort becomes obliged to supply gas to those customers. Suppliers of last resort supply gas for no more than six months to customers with a consumption of up to 60,000 m³ for the preceding twelve months. 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.

The Office has the power to control the prices charged by suppliers of last resort through cost-plus prices, which are the maximum prices, in cases where such suppliers request this. In 2014, the Office did not have to set such prices as no such situation emerged.

4.2.4 Unregulated energy prices of the gas supply

Business charge

Gas supply prices are not controlled in the Czech Republic, because this is not an area at risk of competition restriction due to lack of competitors.

In 2014, the price of gas supply for final customers was very stable. The reason was the relatively stable price of the gas bought from abroad. In 2014, the markets experienced a surplus of gas supply due to a mild winter in the preceding heating season. This fact resulted in declining wholesale prices on European markets, where gas is usually bought in EUR/MWh. However, a price decline in the Czech Republic was prevented by the Czech National Bank's intervention

aimed at weakening the Czech currency. The interventions kept wholesale commodity prices without any major changes. Prices were not even influenced to any appreciable extent by the unstable political situation in Ukraine.

Thus, in 2014 traders did not change their price lists and offered their services for the same prices throughout the period under review.

Gas supply prices for households

In 2014, none of the incumbent gas suppliers changed the prices of its basic product ranges for households. Quotations of alternative suppliers, ‘guaranteeing’ lower prices, are often tied to those price lists. The unregulated part of the gas supply price therefore stayed at the 2013 level for customers, who thus were usually only able to achieve a change of the price by changing their supplier or opting for a different product range.

According to Eurostat (the statistical office of the EU), the average final price of the gas supply service for households (included in the D2 category, i.e. annual demand ranging from 5.6 to 55.6 MWh) amounted to CZK 1,509.43/MWh (CZK 27.533/EUR); this amount does not include tax items.

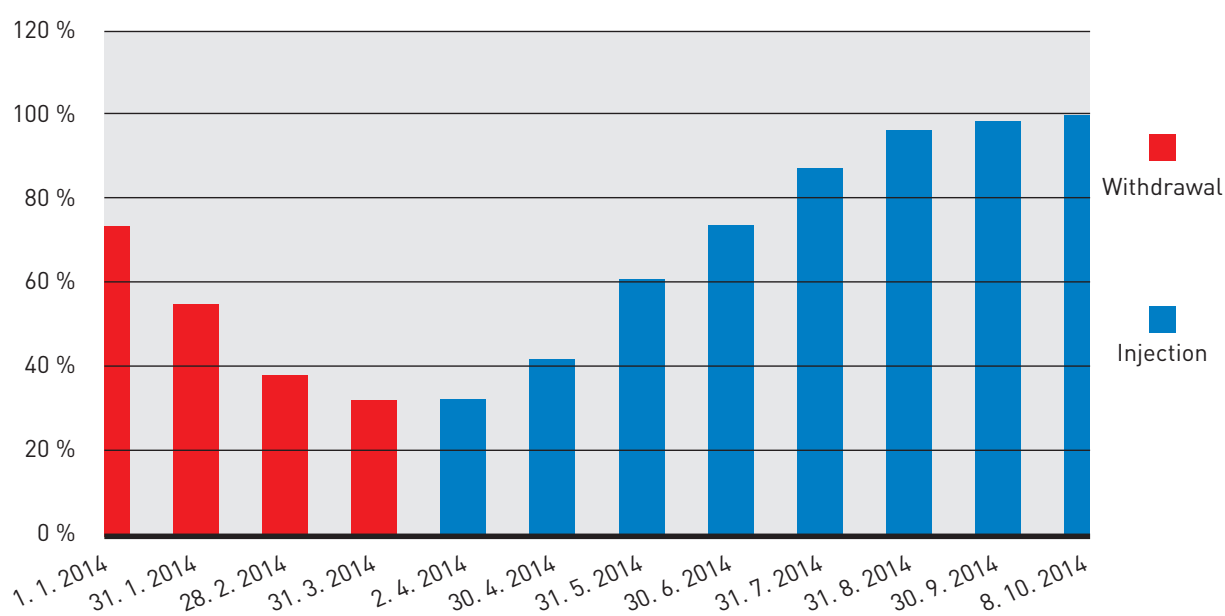
In 2014, the price of gas supply for the household segment accounted for approximately 75 per cent of the overall price for the bundled gas supply service.

Charge for gas storage

Gas storage facilities primarily serve for covering the peaks in demand in the cold winter months and also play a unique strategic role and enhance the country’s energy security.

In 2014, underground gas storage facilities in the Czech Republic were filled to their maximum storage capacity. Compared with the preceding season traders injected larger gas volumes into the UGS facilities. The reasons may have included the mild winter (2013–2014), which truncated the withdrawal season to the end of March 2014, and injection therefore began relatively early, and also traders’ demand for storage services motivated by meeting the SoS, i.e. ensuring provisions for 20 per cent of the volume of gas for protected customers.

Chart 13 RWE Gas Storage, s.r.o.: gas stores in UGS facilities



In 2014, SSOs called four auctions to sell their storage capacity for the following period. RWE Gas Storage, s.r.o. organised three auctions. In the auction on 2 June 2014 the entire capacity offered was successfully sold, approximately 1 TWh for one to five years, with the beginning of storage on 1 April 2015 for EUR 2.55/MWh. In the auction on 27 June 2014 a capacity of approximately 0.96 TWh was sold for one to five years, with the beginning of storage on 1 April 2015 for EUR 2.76/MWh. In the auction on 25 July 2014 the entire offered capacity was successfully sold, approximately 0.27 TWh for one to five years, with the beginning of storage on 1 April 2015 for EUR 2.98/MWh.

MND Gas Storage, a.s., called one auction for a volume of 1 million m³, and held the auction on 11 March 2014 for a storage period from 1 April 2014 to 2019. The final auction price amounted to CZK 0.88/m³.

The opening bids in the auctions were at very low levels, which can be ascribed to the low prices on spot markets, which tend to affect the storage capacity market.

Security of supply

In 2014, the Office also focused on checking the security of supply in gas industry (SoS) with a view to seeing whether SoS rules were followed and to protecting customers' interests. The SoS obligation is set out in Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC, which has been implemented in Czech legislation through the Energy Act and public notice no. 344/2012 on emergencies in the gas industry and methods of providing for the security standard of gas supply.

Emphasising provisions for SoS, in January 2014 the Office inspected ten selected companies and did not find any shortcomings. The Office also approached all gas trade licence holders and producers supplying gas to final customers, requesting them to produce documents or confirmations of their provisions for SoS for the 2014/2015 winter season. On the basis of its analysis of the documents received, its experience from the inspections and its evaluation of SoS compliance, the Office has initiated a change in the relevant legislation, which is expected to result in better provisions for gas SoS.

In 2014, the EC requested all EU member states to carry out stress tests of the readiness of gas systems (including storage facilities) for the forthcoming winter. Four scenarios that could materialise in the case of a disruption in gas supply from Russia across Ukraine for a certain period of time were defined for this simulation of a potential gas supply disruption. They also took into account information such as the technical data of the gas system, capacities in the gas system, reverse flow, number of customers, method of gas consumption control in emergency, etc. The results proved that gas supply for the Czech Republic was ensured for the forthcoming 2014/2015 winter. Only in the case of one of the tested scenarios, disruption in gas supply from Russia to EU countries for six months, which is relatively not too likely, gas customers in the Czech Republic would have to be constrained more significantly. Timely decisions on supply controls, however, would also require current and clear information from the EC, indicating the problem, including its potential duration, through the earlier agreed early warning mechanism.

The results of these tests also show the importance of the planned projects that are intended to bring gas from other sources, including liquefied natural gas, LNG, to the region.

4.2.5 Assessment of the development plan for the gas transmission system

The TSO's obligation to prepare annual ten-year plans for the development of the gas transmission system in the Czech Republic 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 to the Office for approval every year. The Office 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 contemplated investments intended, following their implementation, 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 requirements of the Energy Act and on 30 October 2014 submitted a development plan for 2015-2024.

The development plan sets out three types of projects:

- Projects implemented in 2013 and 2014 under the preceding development plan for the gas transmission system;
- Projects with a final investment decision adopted by 30 June 2014;
- Planned projects 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 TSO prepared the ten-year plan for transmission system development, submitted in 2014, on the basis of information and documents from gas producers, storage system operators, the market operator, DSOs, and its own inputs. It analyses the development of demand and the adequacy of the entry/exit transmission capacity of the domestic zone in the Czech Republic for 2015 to 2024. In preparing the plan, the TSO proceeded from the current and foreseeable future gas supply and demand and from information received from gas producers, SSOs, the market operator, DSOs and its own information. The TSO assessed every investment plan set out in the development plan from the perspective of the operating safety of the gas system, gas supply reliability, environmental impacts, available technologies and financial backing. The Office assessed whether the development plan was compatible with the EU's Ten-Year Network Development Plan, TYNDP. The Office did not find any discrepancy between the above two ten-year development plans or conflict with the Energy Act and therefore approved the ten-year plan for the development of the Czech gas transmission system for the period of 2015-2024 as submitted by NET4GAS, s.r.o.

To obtain the relevant data, the TSO analysed the evolution of gas consumption, and gas production, supply, and import and export in the Czech Republic, 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 capital project for connecting the Planá nad Lužnicí CHP plant to the gas transmission system was one of those completed in 2014.

In 2013, the TSO completed the modification of the Břeclav compression station to improve the flexibility of the system. In connection with the political situation in Ukraine, the decision was made to reinforce options of gas transport from the west to the east.

As in the case of the previous development plan, the completion date for the new connection of RWE GasNet's distribution system to the transmission system is not yet known; the purpose is to increase the exit capacity into the domestic zone.

SSOs are preparing five projects to reinforce and develop the current storage capacities in UGS facilities. New storage capacities, resulting in their increase at the gas transmission system points, will be gradually connected to the transmission system. However, the final investment decision had not been issued for any of these projects by 30 June 2014. The expected project completion date is by 2019.

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.

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 via a new transfer point on the national border. 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. has submitted the projects conducive to reinforced cross-border capacities as projects of common interest (PCI). As part of the evaluation process, they were included in the EU's 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 all of the above, the Office found the 2015-2024 ten-year development plan for the Czech gas transmission system, as submitted in 2014, to be complete and free of shortcomings and in compliance with the Community-wide network development plan, and approved it 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.

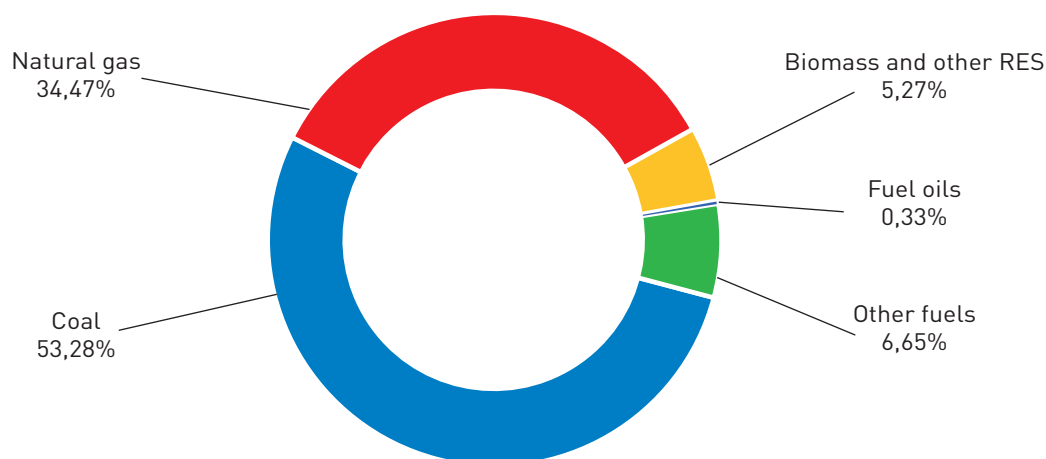
4.3 The heating industry

4.3.1 Market description

Thermal energy supply systems in the Czech Republic meet a considerable part of households' and both business and non-business entities' demand for heat. The heating industry also generates a considerable part of the country's electricity. In heat and power generation, CHP installations can use different fuels and achieve high primary energy savings. The heating industry is a highly diversified industry where no unified scheme can be found as regards the size, purpose, execution or ownership of heating systems. Heat supply companies can be owned by municipalities or Czech and international owners. Going forward, emphasis should be placed on modernising, retrofitting and optimising the existing systems for thermal energy supply, promoting high-efficiency technologies, reducing losses in distribution, preserving efficient systems of thermal energy supply, supporting further regional development, and applying transparent thermal energy prices.

In 2013, some 55 million GJ of thermal energy was supplied to final customers (at the following levels of thermal energy delivery: centralised hot water preparation at the heating source, centralised hot water preparation at a heat exchange substation, from distributions of boiler rooms serving blocks of houses, from outside secondary distributions, from house delivery stations and from house boiler rooms). Chart 14 shows the shares of fuels used for thermal energy supply to final customers in 2013. The chart indicates that coal is primarily used for thermal energy generation intended for supplying final consumers. Gas takes approximately one-third of thermal energy supply.

Chart 14 Fuel used for heat supply to final consumers in 2013



Note: Other fuels: other gases, municipal and hazardous waste, electricity, coke, and nuclear fuel

4.3.2 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 2/2013 of 1 November 2013 applied to thermal energy prices in 2014. 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 locations.

Under the current regulatory method, the thermal energy price may only reflect the economically justifiable costs necessarily incurred in thermal energy generation 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 reviews of the heat prices charged, and also in dispute resolution.

4.3.3 Examination and evaluation of thermal energy prices

In 2014, the Office examined 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. Reviews 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.

4.3.4 Development of thermal energy prices

The Office has been processing and evaluating the development of thermal energy prices since 2001. Chart 15 shows the development of the average final thermal energy prices for final customers (energy supplied to the heat consuming equipment) between 2001 and 2013, and the preliminary thermal energy prices on 1 January 2014. 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 gas and fuel oils) is the weighting. In the period under review, thermal energy generated 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 (13 years), the average price of thermal energy generated from coal for final customers increased by CZK 243.55/GJ, i.e. approximately by 82 per cent, and the price of thermal energy generated from other fuels increased by CZK 265.19/GJ, i.e. by 77.4 per cent.

In 2013, the year-on-year growth in the average price of thermal energy generated from coal amounted to CZK 21.04/GJ, i.e. 4.11 per cent, while in the case of thermal energy from other fuels the average price increased by CZK 7.21/GJ, i.e. 1.2 per cent. As at 1 January 2014, the average preliminary price of thermal energy increased, compared with the resulting average price of thermal energy from coal for 2013, by CZK 7.82/GJ, i.e. 1.47 per cent, while in the case of thermal energy from other fuels the average price decreased by CZK 0.15/GJ, i.e. 0.02 per cent.

Chart 15 Average thermal energy prices for final customers between 2001 and 2013 and on 1 January 2014 (including VAT)

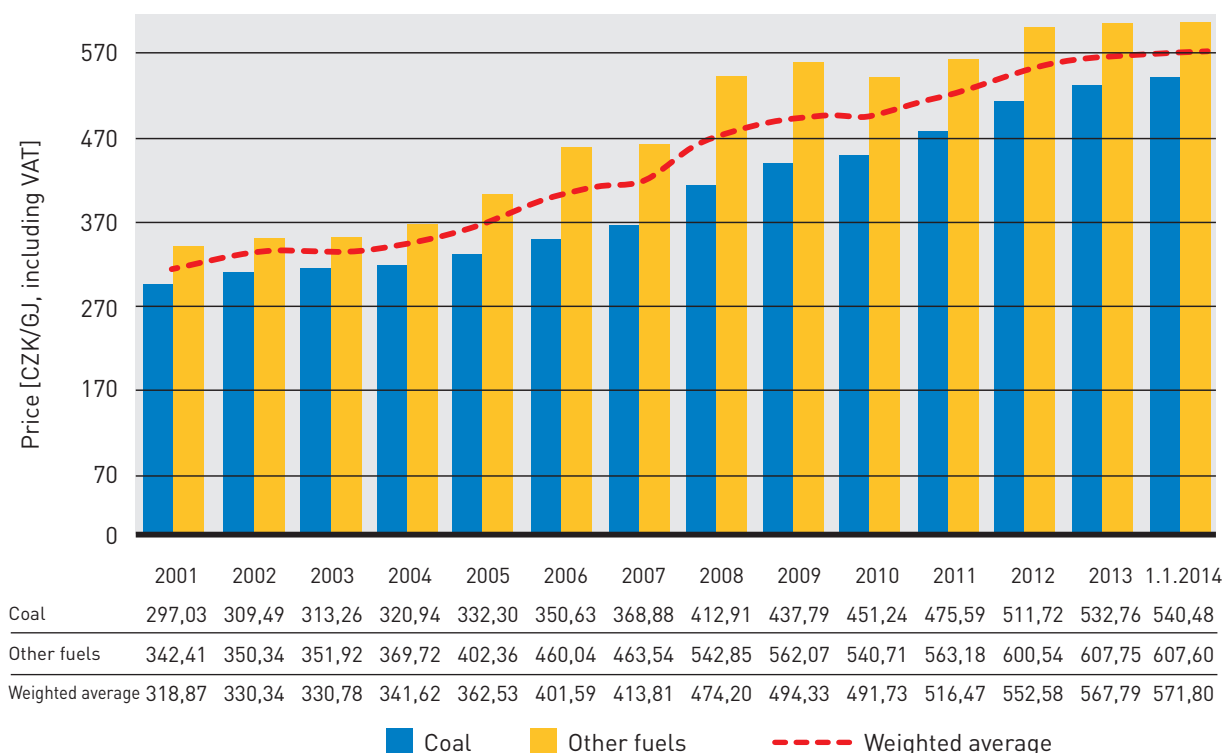


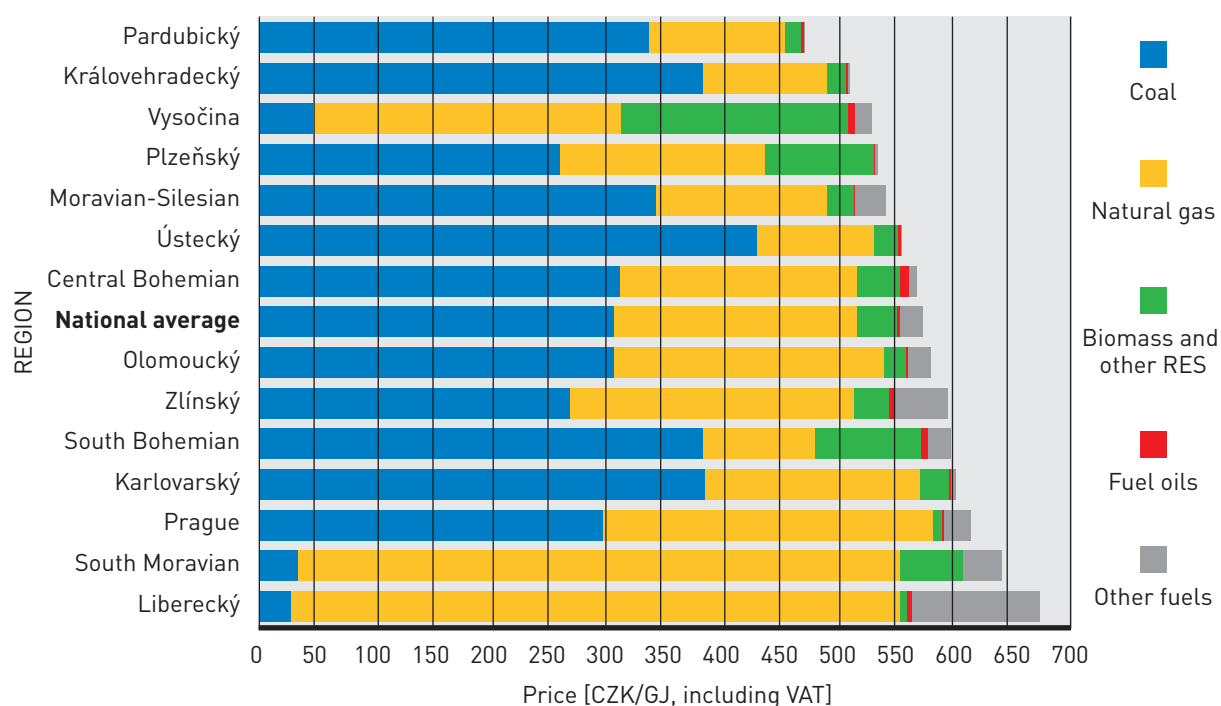
Table 2 shows average thermal energy prices for final customers for each of the regions as at 1 January 2014, together with the percentages of the fuels used in thermal energy generation. The lowest prices are in regions with large coal-fired combined heat and power generation capacities and with extensive 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 large extent for heat production (primarily gas and fuel oils) combined with primary distribution systems based on steam.

Table 2 Average prices of thermal energy (including VAT) for final customers as at 1 January 2014 by regions

Region	As at 1 January 2014		
	Average preliminary price of thermal energy	Coal percentage	Percentage of other fuels
	[CZK/GJ, incl. VAT]	[%]	[%]
Pardubický	470.80	71.23	28.77
Královéhradecký	508.77	75.03	24.97
Vysočina	528.45	8.91	91.09
Plzeňský	533.62	48.44	51.56
Moravskoslezský	540.18	63.08	36.92
Ústecký	554.35	77.02	22.98
Central Bohemian	567.32	55.10	44.90
Olomoucký	578.73	52.98	47.02
South Bohemian	595.82	64.26	35.74
Karlovarský	599.53	64.22	35.78
Zlínský	594.08	45.16	54.84
Prague	612.99	48.25	51.75
South Moravian	639.83	5.21	94.79
Liberecký	672.76	4.17	95.83
National average	571.80	53.43	46.57

It is apparent from Chart 16 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 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 generating thermal energy.

Chart 16 Average preliminary prices of thermal energy (including VAT) for final customers as at 1 January 2014 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 17. Thermal energy supplied to final consumers for low or, on the contrary, high prices make up only small percentages of overall supply.

Chart 17 Price ranges with the respective thermal energy quantity supplied to final customers from 2011 to 2013 and as at 1 January 2014

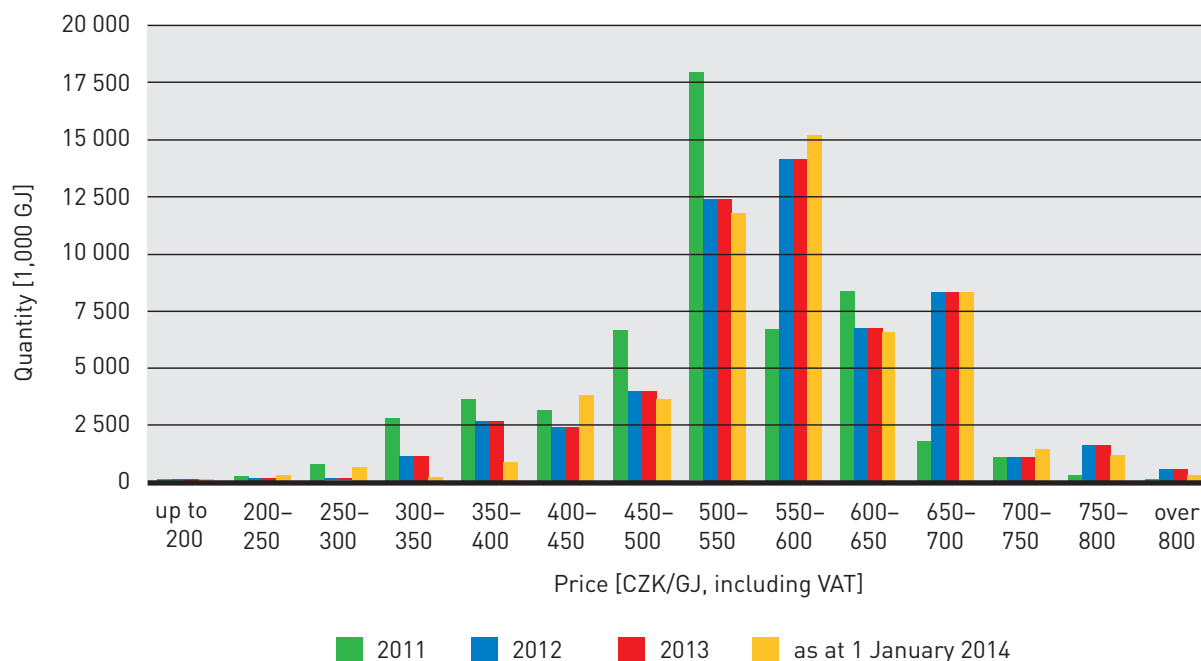
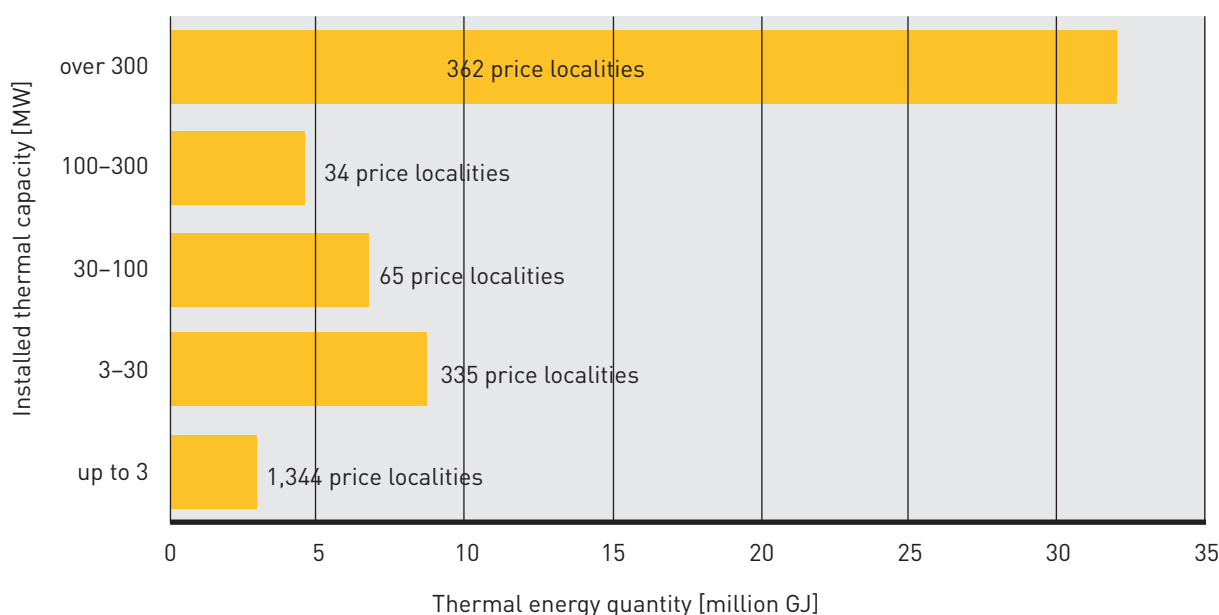


Chart 18 shows the quantity of thermal energy supplied for end consumers, broken down by the level of installed thermal capacity in price localities, and the numbers of price localities.

Chart 18 Thermal energy quantities supplied to final customers and the number of price localities by installed capacity of plants supplying heat



4.4 Licensing policy and its development

As regards licensing, 2014 was the first year in which the effects of reduced support for renewable electricity generation were felt in full. The Office received a total of 2,267 applications, down by 71 per cent on 2013.

In 2014, only 215 new operations appeared, of which 171 were photovoltaic plants (PV) up to 30 kW installed capacity and 31 hydroelectric power stations up to 10 MW installed capacity.

Total installed renewable capacity had risen by 107.18 MW by the end of 2014, of which PV had only 0.15 MW. The growth in capacity was largely attributable to biomass operations (51.09 MW), pumped-storage hydroelectric power stations (25 MW) and up to 10 MW hydroelectric power stations with an increase of 14.92 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 2013.

Table 3 Numbers of valid licences between 2006 and 2014 by object of business

Licences	2006	2007	2008	2009	2010	2011	2012	2013	2014
Electricity generation	1,467	1,702	2,989	7,223	13,301	13,530	20,843	26,021	26,158
Electricity distribution	282	281	281	281	300	307	315	319	299
Electricity trade	285	293	310	312	321	353	360	389	392
Foreign authorisations for electricity trade	-	-	-	-	-	1	4	12	17
Gas production	13	13	14	15	15	15	15	15	14
Gas distribution	103	99	92	87	87	86	83	78	77
Gas trade	83	85	103	105	122	143	172	196	201
Foreign authorisations for gas trade	-	-	-	-	-	1	2	9	13
Gas storage	4	4	4	4	4	4	4	4	4
Thermal energy generation	674	672	655	641	627	619	627	656	672
Thermal energy distribution	721	719	699	689	675	663	653	653	663
Total	3,632	3,868	5,147	9,357	15,452	15,720	23,075	28,367	28,513

In 2014, the Office issued 625 new decisions awarding licences for all energy industries. In addition, 1,192 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 PV), 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 administrative proceedings on licence revocation increased by 27 per cent; they were most frequently initiated by licence holders. Table 4 lists the number of administrative proceedings on licence award, change and revocation.

Table 4 Number of licensing proceedings between 2005 and 2014 (by purpose)

Licence proceedings	2006	2007	2008	2009	2010	2011	2012	2013	2014
New licences	413	540	1,420	5,159	6,997	560	8,051	5,698	625
Licence changes	542	504	598	1,154	1,708	1,029	2,032	1,809	1,192
Revoked licences	229	174	163	204	264	264	264	354	450

As regards renewables, last year saw a slight increase in the number of applications for licences for electricity production at small hydroelectric power stations. There were no major changes as regards the other types of energy compared with 2013, see Table 5.

Table 5 Number of electricity generating operations and installed capacities, between 2008 and 2014, by type of renewable energy used

Operations		2008	2009	2010	2011	2012	2013	2014
Hydro	Number	1,354	1,369	1,397	1,420	1,451	1,500	1,589
	Capacity [up to 10 MW]	131.56	135.39	140.25	141.77	148.08	154.23	342.67
Wind	Number	77	85	93	95	105	112	124
	Capacity [MW]	149.71	192.86	214.78	217.92	261.98	269.36	283.47
Solar	Number	1,475	6,032	12,861	13,019	21,925	27,956	28,127
	Capacity [MW]	65.74	462.92	1,952.70	1,952.70	2,072.07	2,125.91	2,126.06
With a biogas share	Number	115	157	180	264	415	430	431
	Capacity [MW]	51.24	80.10	103.02	167.97	306.04	333.68	335.51
Landfill gas	Number	58	62	61	63	66	70	70
	Capacity [MW]	21.94	23.18	22.63	56.50	57.20	58.67	58.67
With a biogas share	Number	38	48	56	63	74	94	93
	Capacity [MW]	1,947.40	2,041.00	1,676.37	1,617.64	1,783.11	2,939.33	2,990.42

The list of licence holders is updated on a quarterly basis on the Office's website by licence type. On the website, a web application also 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.

4.4.1 Recognition of professional qualifications

In respect of the recognition of professional qualifications 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 cooperation and mutual communication between the EU member states' recognition authorities. In 2014, 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.

4.4.2 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 2014, see Appendix 2.

As at 31 December 2013, the closing balance in the Energy Regulatory Fund stood at **CZK 45,444,390**. In 2014, no compensation was paid from the fund's account for a conclusive loss from activity over and above a licence. No income or expenditure was recorded in this account of the Energy Regulatory Fund in 2014.

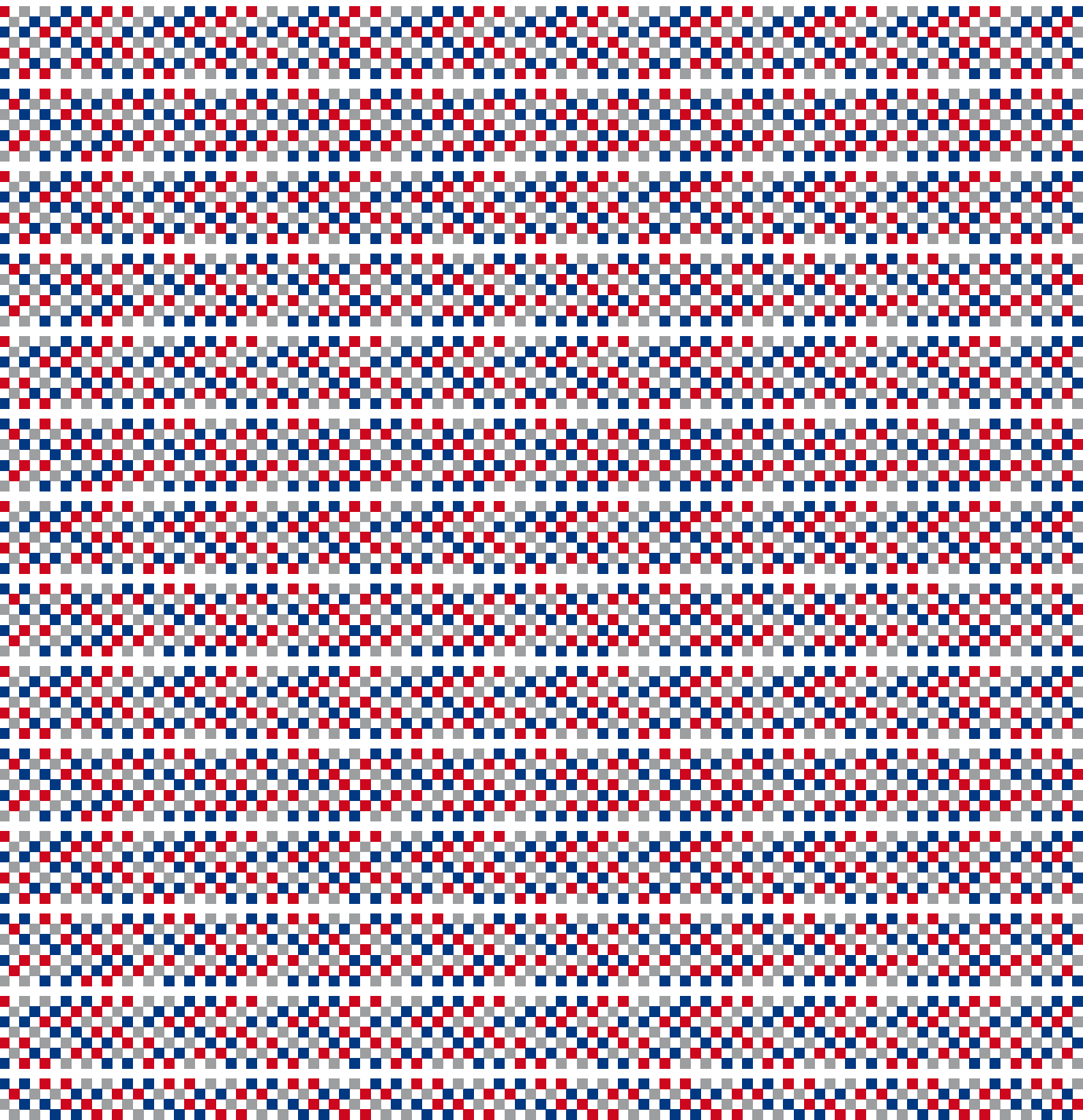
The closing balance in the Energy Regulatory Fund current account stood at **CZK 45,444,390** as at 31 December 2014.

4.4.3 Proceedings on administrative fees

In proceedings on licence award, change or revocation, the Office collected fees amounting to CZK 1,297,300 (in duty stamps) and to CZK 6,352,351 (transfers to the Office's bank account and payments in cash at the Office); collected administrative fees totalled CZK 7,649,651.

Twenty entities applied for the refund of administrative fees. All requests were granted and CZK 82,950 was refunded.

5) Oversight



5) Oversight

ERO exercises the State's supervision primarily over compliance with the Energy Act. In the electricity and gas industries it also supervises compliance with Act No 634/1992 on consumer protection, as amended, compliance with Act No 526/1990 on prices, as amended, and compliance with the price decisions issued by the Office in the electricity, gas and heating industries.

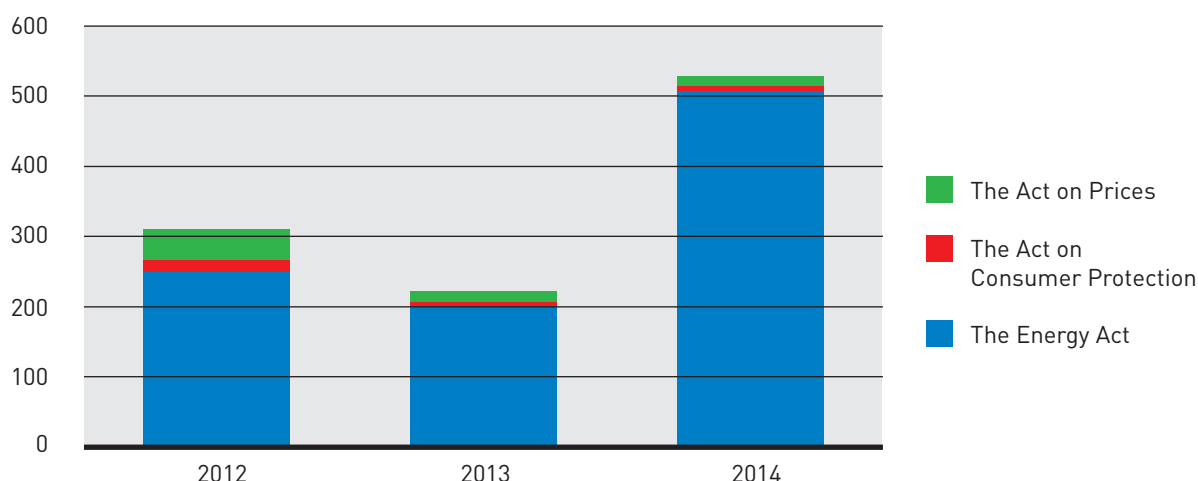
Because of the specificities of oversight in respect of supported energy sources (POZE), a specialised department for oversight over supported energy sources was set up within the oversight section as of 1 February 2014. Two units were set up in the department, the POZE inspection unit in Prague and the POZE inspection unit in Ostrava.

The cost inspection department was set up on 1 November 2014 and tasked with overseeing economically justifiable costs in the gas and electricity industries. The Office uses this arrangement for meeting its obligations as the authority responsible for price supervision in these industries. The department's objective is to check the regulated entities' costs used as input into fixed gas and electricity prices so that the prices set by the Office as part of its regulation of the charges for electricity and gas transmission and distribution cover the reasonably spent costs of providing for the reliable, safe and efficient performance of licensed activities.

In 2014, the Office received 864 submissions from juristic and natural persons as part of its checks, reviews and inspections. In their submissions, customers and consumers most often complain about suppliers' approach to contract arrangement and to changes in the financial or technical conditions for energy supply. In addition to checks and inspections carried out on the basis of these complaints the Office also carried out checks and inspections on its own motion and upon suggestions from the MIT.

The procedure for performing oversight is now set out in Act No 255/2012 on oversight (oversight rules), effective since 1 January 2014. Checks started in 2013 were completed under the earlier legislation, i.e. Act No 552/1991 on State oversight, as amended.

Chart 19 Number of inspections/checks started in 2012-2014



Where the above reviews help to find violations of legislation the Office imposes penalties for administrative offences in administrative proceedings, including those committed by natural persons, and also imposes remedial measures intended to remedy the unlawful situation within a set time limit and on the set conditions.

Table 6 Results of findings in 2014

Checks completed in 2014	Price check	Energy Act	Consumer protection	Total completed checks
No violation of the checked provision was found	0	153	0	153
A violation of the checked provision was found	10	285	5	300
Total	10	438	5	453

5.1 Checks in the electricity and gas industries

In 2014, the Office received 624 complaints in the electricity and gas industries. They mainly concerned unfair practices in contract execution, failure to accept requests for contract termination, publication of misleading advertisements on energy suppliers' websites, sales representatives' fraudulent practices, failure to handle complaints about billing or consumption metering, interruption of supply, bad condition of energy installations, failure to publish price lists or complete prices, and failure to refund overpayments.

In the electricity and gas industries the Office initiated 393 checks on the basis of its own findings from market monitoring and also suggestions received from final customers and consumers.

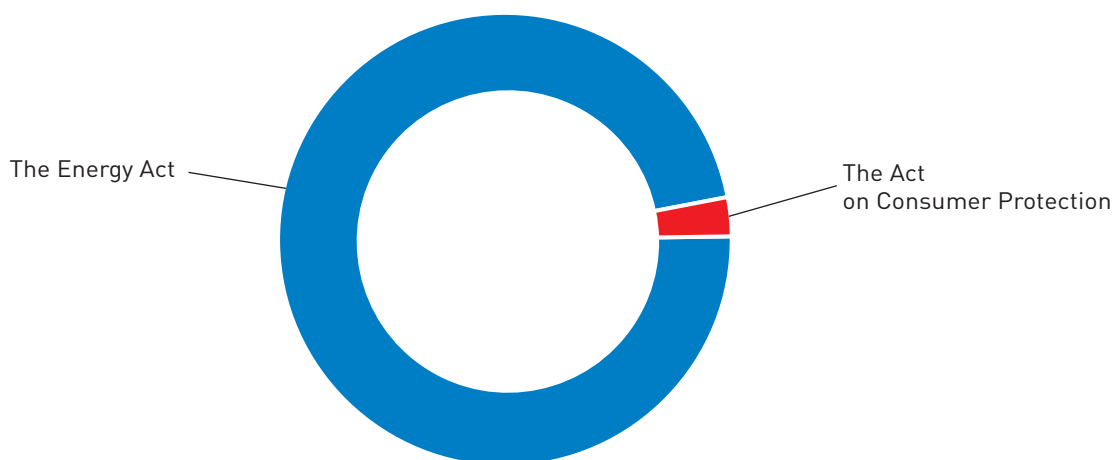
The subject matter of the largest number of checks was interference with the protection zones of energy installations, involving damage to the installations, most often caused during construction work and usually investigated in response to complaints received from DSOs.

The most important inspections focused on finding violations of the law on consumer protection; their purpose is to check whether or not unfair commercial practices, in particular misleading or even aggressive commercial practices were used in respect of customers and consumers on the occasion of service offering and provision. All such inspections are extremely challenging because of the amount of the documents to be processed and checked and voice recordings to be heard.

Another ten inspections focused on keeping gas SoS under Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC, and Section 73a of the Energy Act and the national implementing acts. Other important checks concerned licence holders' compliance with the Energy Act.

A specific type of checks performed by the Office in response to complaints is compliance with the law on consumer protection in the electricity and gas industries, which fall within the Office's remit. In this area, the department of supervision in the electricity and gas industries cooperates with the consumer protection unit.

Chart 20 Checks and inspections commenced in 2014



5.2 Checks in respect of supported energy sources

The POZE inspection department started to work in 2014. The content of its work and the system of its oversight activities had been designed as follows: from the very beginning, its activities would include oversight over all types of plant using renewable or secondary energy sources for energy generation, with their operators usually receiving governmental subsidy in the form of feed-in tariffs or green premiums for the energy so generated.

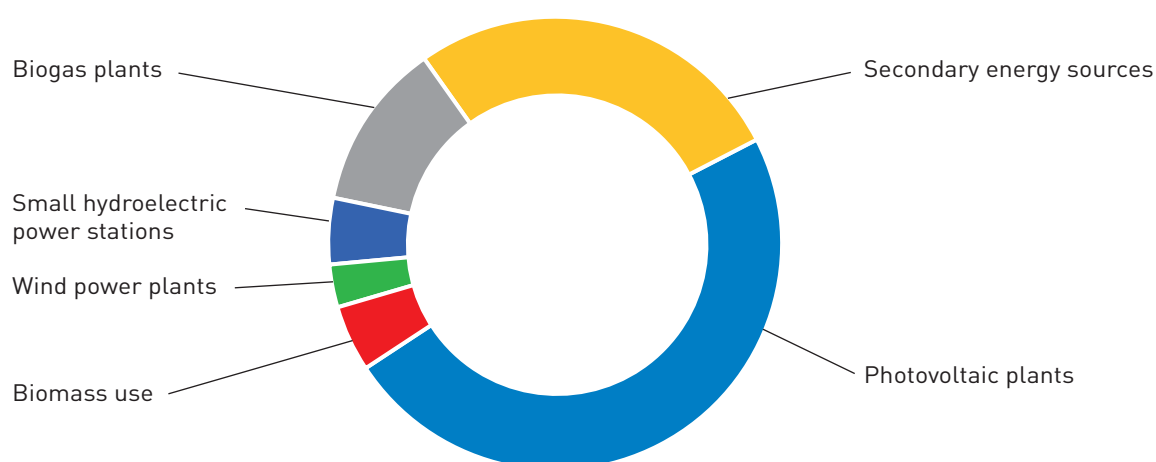
Since the very first inspection, great attention has been devoted to the efficient design of the system for conducting investigations. Great care was taken throughout the year that all new findings and experience is immediately used for improving the oversight activities.

During the first year of the department's operation a total of 41 investigations were started with a view to checking adherence to Section 9 and Section 11 of the Energy Act, i.e. whether or not the licence holder had, in the case of increasing the number of its operations, changing the technical parameters of its existing operations or changing the extent of the delineated area, notified the Office of such changes immediately and started to carry out the licensed activity in such operations, or in the delineated area, on the day of finality of the decision amending the decision on licence award. Another issue subjected to reviews was whether the checked person used, for the licensed activity, technical equipment meeting the safety and reliability requirements set out in legislation and technical standards and whether the person provided the Office with true and complete information and documents. In three cases the checks were targeted at Section 3 of the Energy Act, under which business in the energy

industries in the Czech Republic can be carried on by natural and juristic persons solely under a licence awarded by the Office.

By the end of 2014, a total of 26 investigations had been concluded; one of the dossiers was referred for administrative proceedings. In three cases involving a finding of fraudulent alterations of public documents, i.e. a licence issued by the Office, and also the submission of false documents to the Office, the information about the findings was referred to the Police of the Czech Republic. In eight cases the findings resulted in aid payment being discontinued because it was proved that the licence holder received aid in an incorrect category. Findings in three cases revealed that the generator operated energy plants without any licence. The POZE inspection department also carried out 18 investigations on the basis of which it opened eight inspections following an evaluation of the investigations.

Chart 21 Types of checked operations



5.3 Oversight in the heating industry

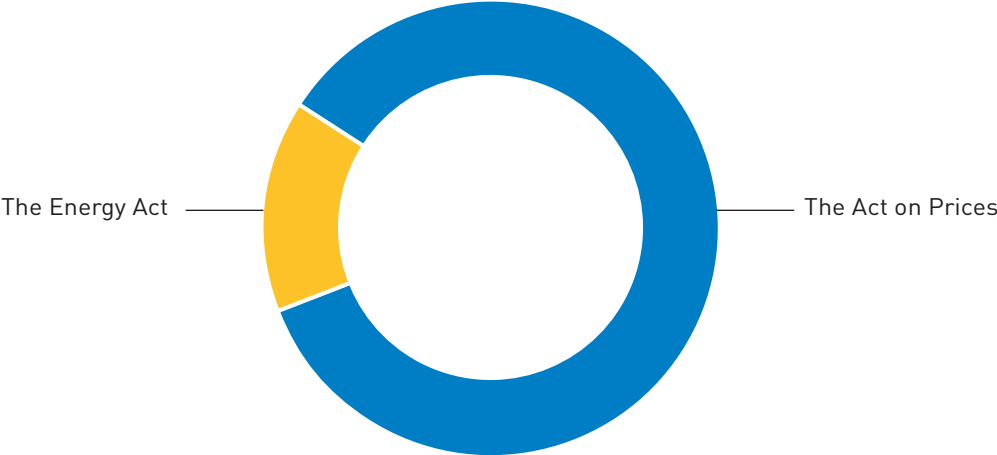
Oversight in the heating industry mainly focuses on compliance with the rights and obligations under the legislation that lays down obligations for businesses operating in the heating industry and persons entering into contractual relationships with these businesses. The above primarily include holders of licences for thermal energy generation and distribution, thermal energy suppliers and customers, and also owners of properties to which thermal energy is supplied.

The key pieces of legislation on oversight in the heating industry are the Energy Act and the Act on Prices, including the ERO price decision effective in the relevant year. The main purpose of oversight in the heating industry is to ensure compliance with the rights, obligations and rules under the above legislation, and to remedy shortcomings and entities' inappropriate practices. Since thermal energy suppliers supply most of thermal energy under monopoly conditions, the Office carries out checks intended to provide for equal positions of suppliers and customers.

In 2014, more than 672 thermal energy producers and 661 companies licensed for thermal energy distribution were operating in the heating industry; companies often hold licences for both generation and distribution of thermal energy. Thermal energy was supplied in more than 2,300 price localities in 2014.

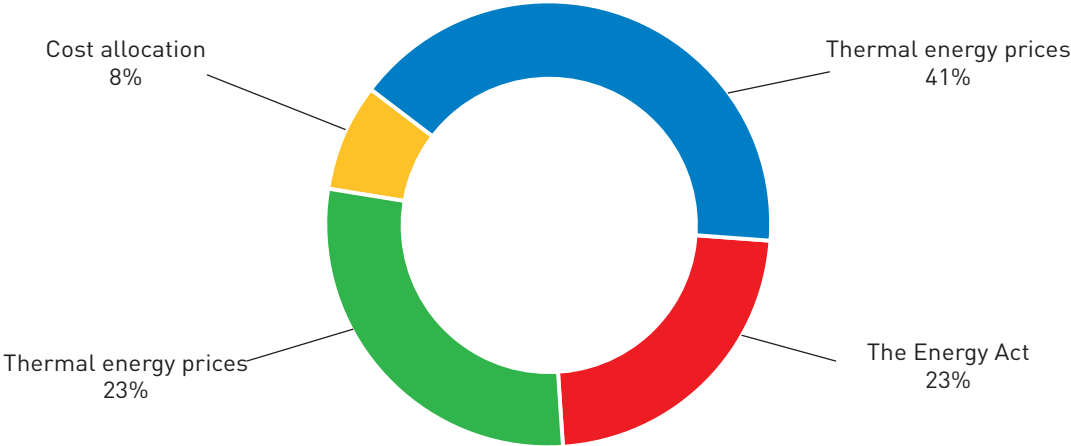
In 2014, the Office carried out 209 investigations and 82 checks, looking at the thermal energy prices asked by thermal energy suppliers, the method and technical design of thermal energy supply, and thermal energy consumption metering and billing. Checks of compliance with the Energy Act also focused on licence holders' performance of their obligations and checking whether thermal energy suppliers carried on their business under the relevant licence.

Chart 22 Checks and investigations commenced in 2014



As regards supervision over thermal energy prices, 2014 saw dozens of investigations in many price localities throughout the country. Checks of prices are primarily geared towards assessing whether or not only economically justifiable costs, the actual quantity of thermal energy and reasonable profit are reflected in thermal energy prices. Their purpose is also verifying whether or not the thermal energy price calculated in line with the mandatory conditions of the cost-plus method was agreed with customers and then actually billed.

Chart 23 Subject matter of submissions in 2014



Almost 30 per cent of the submission received by the Office were requests for investigating the allocation of the costs of thermal energy supplied to end consumers and intended for space or water heating, which the owner of the property or the manager authorised by the owner allocates to each of the users of flats and non-residential premises in the property. The Office has only limited powers in this area but it nevertheless examines these submissions and notifies the final customers in cases where the property owner or manager increases thermal energy costs more than by the costs related to thermal energy generation and distribution for the property in question.

5.4 Administrative proceedings

In 2014, the administrative proceedings department received 384 requests for opening administrative proceedings, which were regarded as cases in which administrative proceedings could actually be opened.

Chart 24 Subject matter of administrative proceedings

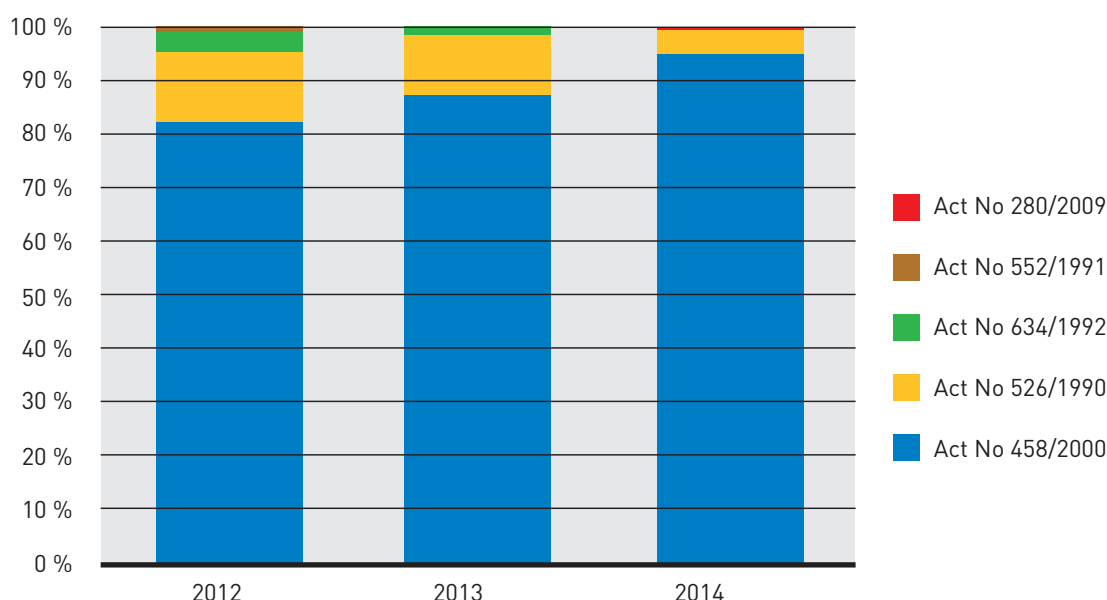


Table 7 shows the legislative provisions falling within the Office’s remit, which were violated most often:

Table 7 Most frequent violations of legislation in 2014

Violated provision	Matter	Number of cases
Section 68(3)/Section 46(12) EA	Damage to energy installation by activity in protection zone	210
Section 61(2)(j) EA	Failure to register with market operator	63
Section 6(1) Act on Prices	Failure to follow the price calculation procedure	13

A total of 267 administrative proceedings were started and a total of 248 orders (of which 34 orders in administrative offence proceedings) and 27 decisions were issued in 2014.

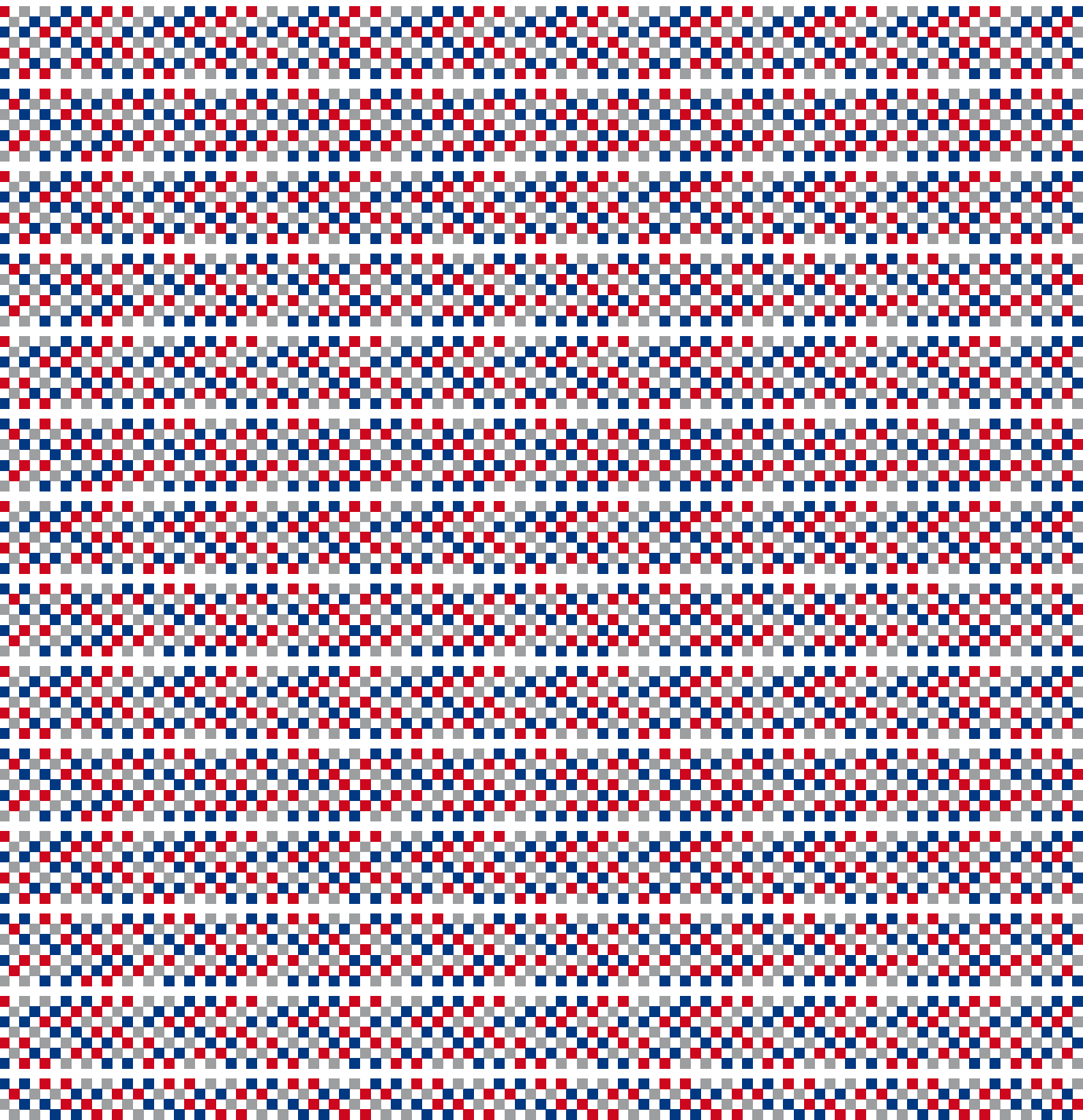
In 2014, 25 decisions from 2013 and 236 decisions from 2014 became final.

In 2014, parties filed protests in 15 cases against issued orders, on which the administrative authority further decided at the level of first instance.

In addition to the above activities concerning the merits of cases, the department also manages the payments of final fines. This activity includes everyday monitoring of bank account statements, keeping the relevant spreadsheets, producing internal memos on the finality of decisions, which are sent to the economic and financial unit, and producing pre-enforcement requests to the persons who failed to pay the fine within a reasonable time from the enforceability of the decision, and subsequently referring final decisions to the department responsible for decisions at the level of second instance for further steps in fine collection. The Office also put in place the conditions for follow-up checks and enforcement of remedial measures imposed under Section 18(3)(b) of the Energy Act, specifically by way of levying enforcement fines under Section 96d(1)(d) of the Energy Act.

Final decisions are posted on the Office's website.

6) International relations



6) International relations

6.1 International activities

In 2014, the Office continued to be actively involved in a wide range of international activities, primarily in relation to the EU bodies and institutions and in European regulators' associations.

ERO officers participated in the preparation of documents for the meetings of the European Council's energy working group, and cooperated in the formulation of instructions for COREPER I meetings and of the mandates for the Czech delegation to the TTE Council meetings with a view to preparing future European energy legislation. The Office accepted national responsibility for the preparation of the Czech position on Commission Communication on energy prices and costs and helped to formulate Czech positions on other pieces of European legislation on energy infrastructure, competitiveness, RES, vulnerable consumers and completion of internal energy market integration.

In addition, the Office intensively cooperated with, in particular, ACER and joined the activities of the Council of European Energy Regulators and its working formations. The objective of these bodies is to harmonise the regulatory framework with a view to integrating national energy markets, each having different settings, into a single competitive European energy market that should be beneficial for all consumers.

6.1.1 The National Report

As part of its reporting and notification obligations under Directives 2003/54/EC¹ and 2003/55/EC² ERO employees drew up the *National Report of the Energy Regulatory Office on the Electricity and Gas Industries for 2013*. This already tenth report covered the developments in the Czech energy markets for the preceding period of 2013. The final version of the report was delivered to CEER and EC in Czech in July 2014 and in English in August 2014.

6.1.2 CEER and ACER

The core of the cooperation with CEER and ACER consisted primarily in ERO officers' active participation in the meetings of their highest bodies and working groups and task forces, with a view to coordinating the steps and promoting the interests of the Czech Republic in respect of the electricity and gas markets. Discussions centred on, for example, issues such as the integration of day-ahead electricity markets (market coupling), unplanned electricity flows, and framework guidelines on network codes, which are subject to implementation following comitology approval. Other issues included monitoring of wholesale and retail markets,

¹ 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

² 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

consumer protection in relation to the third energy package, the implementation of an alternative dispute resolution (ADR) mechanism, and the implementation of REMIT and the regulation on guidelines for trans-European energy infrastructure, including projects of common interest (PCI).

Discussions also included issues related to energy efficiency, capacity markets, security and quality of supply, smart meters and smart grids, and RES and promotion thereof.

6.1.3 Regional initiatives

Electricity: Central and Eastern Europe (ERI CEE)

Electricity Regional Initiatives continued harmonising the markets in Central and Eastern Europe in 2014. Regional initiatives pursue the objective of achieving a single market and harmonising auction rules for daily trading.

The specific issues addressed in the past period included the implementation of flow-based market coupling in the region. The market design was specified and its basic architecture, which must be compatible with the north-west Europe region, was outlined. On 19 November 2014, CZ-SK-HU-RO Market Coupling (4M MC) was launched successfully; it integrates day-ahead electricity markets in the Czech Republic, Slovakia, Hungary and Rumania and has replaced CZ-SK-HU Market Coupling (3M MC).

Market coupling helps to improve the efficiency of trading and cross-border capacity allocation, which is to result in, among other things, better security of electricity supply. Equally importantly, discussions concerned the harmonisation of auction rules for daily trading and, in connection with the undesirable loop flows, discussion on bidding zone revision was initiated.

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, in particular the Network Code for the Capacity Allocation Mechanism (NC CAM).

The GATRAG platform was a project of importance for the Czech Republic; however, in 2013 the German partners discontinued its operation. In 2014, the Czech Republic did not participate in any other pilot project for capacity allocation mechanisms and Czech entities therefore focused on gathering findings from other projects. Main attention was dedicated to the pilot project for sales of gas transmission capacity between Poland and Germany on the PRISMA platform. Based on the available information it should be noted that none of the projects has met expectations. For this reason, the Polish TSO has developed its own alternative platform.

In the first half of 2014, the gas industry department received information about the plan to carry out a pilot project for a mechanism of capacity allocation at the Český Těšín border transfer point. On the basis of this information it amended implementing regulations to enable the pilot project in 2015 following approval of its parameters.

6.1.4 New EU legislation – investments in energy infrastructure

In 2014, the EU continued in its effort to develop the trans-European energy network and to diversify and ensure electricity and gas supply. Since project implementation costs influence prices for final customers, ERO officers actively participated in meetings on ACER's recommendation for the methodology of evaluating the risks and incentives for the relevant infrastructure projects, which was drawn up by European regulators in line with 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.

The recommendation set out a common methodology for identifying and evaluating risks and for providing incentives from the national and transnational perspectives. The stakeholders concerned, including national regulatory authorities, must follow the recently adopted regulation on the obligation to notify the EC of energy infrastructure investment projects, the purpose of which is to make an overall picture of the development of these projects in the EU and to influence its direction.

6.1.5 Cooperation of Visegrád 4 regulators

In the wake of the establishment of a permanent functional platform of V4 energy regulators in Prague in June 2013 upon the ERO's initiative, 2 December 2014 saw a meeting of the most senior representatives of V4 countries' regulators in Ostrava; the meeting was attended by Alberto Pototschnig, ACER Director.

The meeting mainly focused on energy security in the region and the entire EU in connection with the conflict in Ukraine. All participants agreed on the need to intensify their cooperation, reinforce international interconnections mainly in gas systems and, because of the current situation, accept non-market measures that must protect final customers.

In the context of ensuring security of supply and sufficient gas stores, ERO Chairwoman went to Moscow to meet with Gazprom officers. With a view to looking into the options of alternative gas supply in the form of LNG, ERO Chairwoman also travelled to the US; during these visits she discussed, among other things, methods of network industry regulation with representatives of the US regulatory authorities.

Gas department employees attended meetings of the V4 Gas Market Forum, which in 2014 focused on security of supply and network code implementation. V4 countries also commented on the various proposals, for example, the inclusion of the Gas Target Model in the agenda of the meetings and invitation to Rumania to talks on integration.

6.1.6 Business trips to other countries

In 2014, the Office's employees took 155 business trips to other countries; they attended meetings of the working groups, task forces etc. of CEER, ACER, and regional initiatives, 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 and information concerning the development of regulation and its models and knowledge of various issues in the electricity industry, 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, customer protection and REMIT implementation.

For the gas industry, the key topics included discussions on integration within V4, the integration of Czech and Austrian markets, talks on the online platform for capacity sales, and the pilot project for testing the capacity allocation mechanism.

6.2 REMIT

Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (REMIT) was published in the Official Journal of the European Union on 8 December 2011 and entered into force 20 days following publication, i.e. on 28 December 2011.

The objective of the Regulation is to provide a regulatory framework to ensure greater wholesale energy market integrity and transparency in the EU. The achievement of these priorities, which foster open and fair competition, should ensure that consumers and other market participants can have confidence in wholesale energy markets and that no profits can be drawn from market abuse.

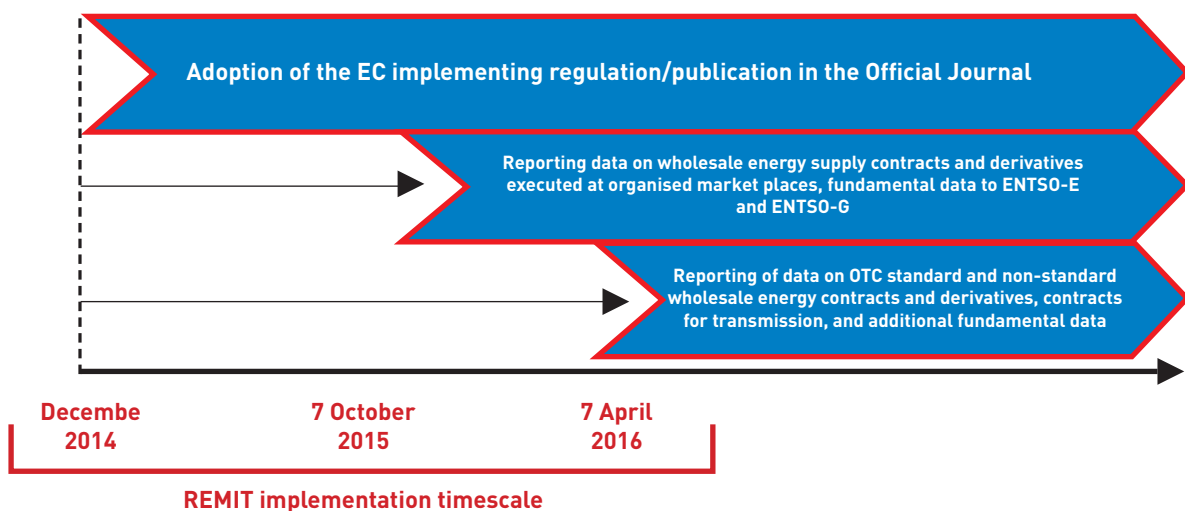
Under REMIT, ACER is obliged to monitor the market at the EU level. The purpose of monitoring is to detect and prevent trading based on inside information and market manipulation. Monitoring activities and the assessment of the wholesale market results shall be carried out on the basis of data collected from market participants. Data gathered by ACER will concern the following:

- records of wholesale energy market transactions, including orders to trade;
- the capacity and use of facilities for production, storage, consumption or transmission of electricity or natural gas or related to the capacity and use of LNG facilities, including planned or unplanned unavailability of these facilities.

The rules for notifying transactional and fundamental data were approved at the REMIT Committee meeting in October 2014, also with the help of the ERO working with the MIT. In the wake of the REMIT Committee meeting, at the end of 2014 the EC adopted Commission Implementing Regulation (EU) No 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency.

The content of the Implementing Regulation is a list of contracts and derivatives that have to be notified to ACER, and the rules, dates and forms for reporting fundamental data on electricity and gas, and it also specifies the technical and organisational requirements and responsibility for reporting data.

Fig. 1 Timeline, transactional and fundamental data reporting



6.2.1 National register of energy market participants

REMIT requires wholesale energy market participants entering into transactions which are required to be reported to ACER, to register with the relevant regulatory authority. The market participant registration process is accompanied by the obligation to set up a national register of market participants not later than three months from the date on which the EC adopts the implementing acts.

The purpose of the registration system will be to collect and keep up to date information about market participants. ERO has decided to use ACER's platform, CEREMP (Centralised European Register of Energy Market Participants).

During the registration process, market participants shall submit information under ACER decision 1/2012, which sets out the registration format. The substance of the registration process is to assign a unique identifier, the ACER code, which will help to identify market participants and report data.

In May 2014, the Office tested the registration platform to be able to evaluate the functioning and parameters of the registration process. The implementation of the registration system was planned for late 2014 and early 2015, and a user manual was prepared to facilitate the registration process.

At the 38th meeting of ACER's BoR, the conditions were agreed for using the registration system and a service level agreement (SLA) on service provision between ACER and national regulatory authorities in the CEREMP system was signed.

6.2.2 Sharing of information

In several cases, REMIT envisages sharing of information to be collected under REMIT, between ACER, national regulatory authorities and other competent relevant authorities. The information sharing process is important mainly from the perspective of the monitoring of wholesale energy markets at the regional level as part of cooperation between national regulatory authorities with ACER, and also at the national level as carried out by national regulatory authorities.

ACER shall also establish mechanisms to share information only with authorities which have set up systems meeting requirements for safety and operating reliability.

At the 38th meeting of ACER's BoR a Memorandum of Understanding on sharing of information under REMIT was signed.

6.2.3 Implementation of powers

REMIT sets out that each Member State shall ensure that its national regulatory authorities have the investigatory and enforcement powers necessary for the application of the prohibitions and obligations under REMIT. These powers have been implemented in the forthcoming amendment to the Energy Act.

6.2.4 CEER and ACER working groups

In 2014, ERO representatives attended the meetings of a number of working groups and subgroups organised by ACER and CEER. The working groups – AMIT (ACER Market Integrity and Transparency Working Group) and CMIT (CEER Market Integrity and Transparency Working Group) – discussed the key issues related to REMIT implementation.

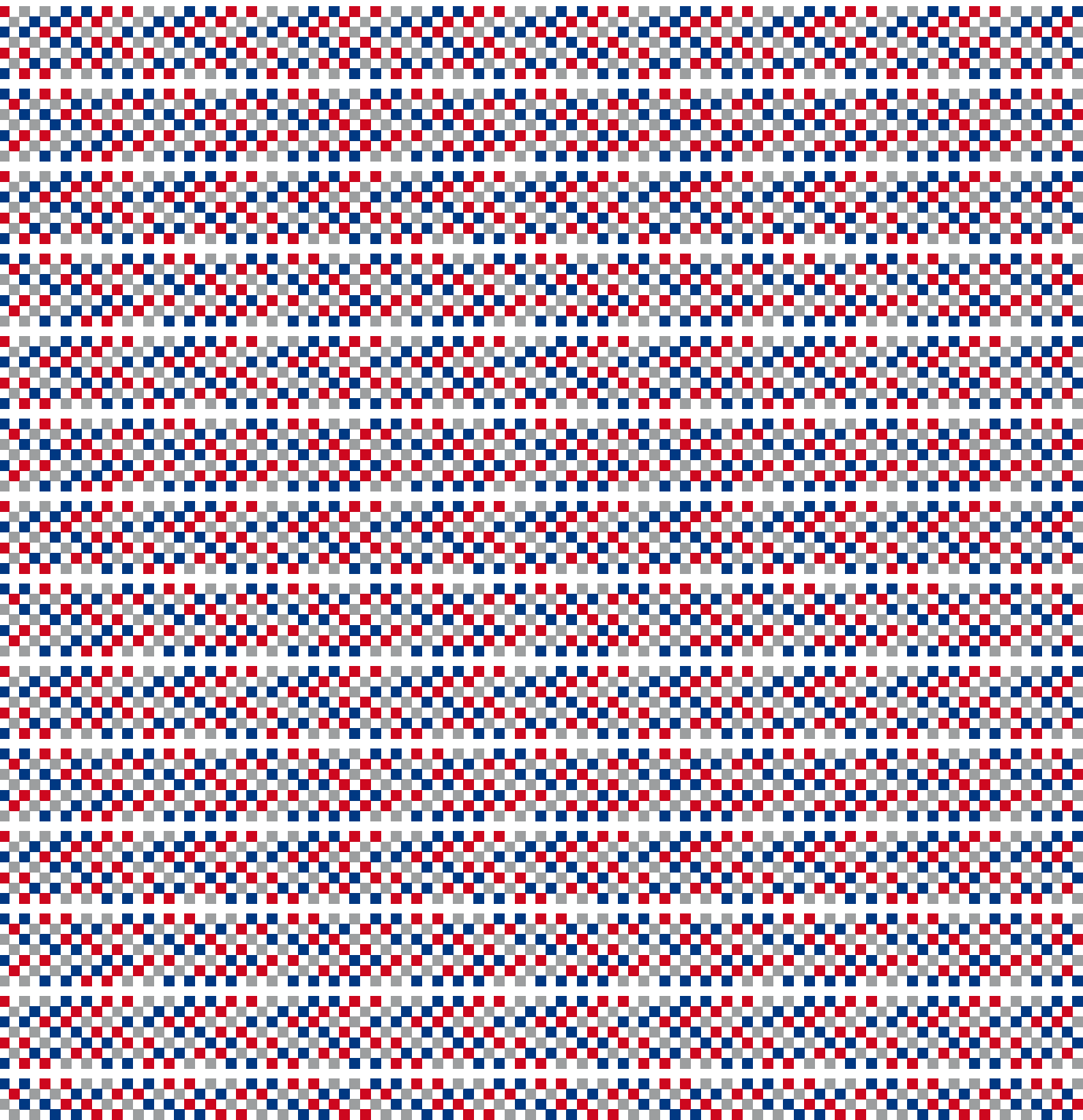
In addition to the above working groups, the ERO was also represented in the EC's REMIT Committee that addresses comments on and subsequent approval of the implementing acts for REMIT.

The Office also cooperates and coordinates steps at the regional level and provides assistance in activities with neighbouring national authorities. This cooperation is geared towards exchanges of experience and information to achieve more effective oversight over wholesale energy markets.

6.2.5 Communication with market participants

Under the auspices of the ERO, MIT and others, 3 and 4 December 2014 saw an international conference on REMIT. The purpose was to inform the expert circles about the content of and obligations under REMIT, the interpretation of its provisions, and the expected impacts on the wholesale energy market in EU countries. The main points on the programme included issues related to REMIT implementation from the perspective of ACER, the Czech Republic and other EU member states, the market participant registration process, prevention of wholesale energy market abuse, and other related issues. The speakers at the conference included ERO Chairwoman, ACER Director, representatives of some national regulatory authorities in the EU, an MEP, and other experts, in particular those in energy, but also those in industry, banking and finance.

7) Internal relations



7) Internal relations

7.1 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, Ministry of Finance (MF), 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), the Council of Economic and Social Consensus, the Chamber of Commerce and other administrative authorities in energy.

In 2014, the Office sought to follow up on the earlier level of cooperation with MIT's energy and legal experts in the assessment of the experience with the application of the Energy Act as the basic framework creating an environment for energy market players' business. The drafting of amendments to implementing regulations, for which the Office was responsible, was based on the practical use of the law and the relevant implementing regulations. The general developments in energy in the Czech Republic and the whole EU resulted in the drafting and adoption of the 'small amendment' to the Energy Act and an amendment to the law on supported energy sources. Late 2014 saw the beginning of the debate on another, extensive amendment to the Energy Act and the law on supported energy sources, which Czech Parliament started to debate in December 2014. The document was laid before the Czech government in line with the Czech government's legislative rules, which state only the MIT as the sponsor of the law; ERO is not a co-sponsor.

ERO representatives attended, on a regular basis, all debates in the committees of both chambers of Czech Parliament related to the drafting of the amendments to the Energy Act and the law on supported energy sources, to be enacted within a single amending law. For some committees of both chambers the Office prepared a number of analyses that addressed, as part of the debate on amendments to the laws, the practical impacts of the proposed changes. The analyses also 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 Czech Parliament and MIT.

ERO continuously kept 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 cooperated with the Senate's committees, in particular the Committee for Economy, Agriculture and Transport and its Subcommittee for Transport and Energy, the Committee for Regional Development, Public Administration and the Environment, and the Committee for EU Affairs, in respect of energy legislation.

ERO representatives attended the meetings of both chambers' committees on a regular basis to discuss primarily the forthcoming amendment to the Energy Act and the law on supported energy sources, and EU papers laid before both chambers. In 2014, the Office was also actively involved in the debate on and drafting of the civil service law. The Office also delegated its representatives to speak at technical workshops on energy issues. Responding to requests from members of the various committees and subcommittees, most notably in connection with points concerning electrical energy prices, consumer protection, legislative and legal specifications and affordability of prices, as relevant for the adoption of the amendment to the Energy Act, the Office drew up a large number of explanatory papers and studies.

In 2014, ERO Chairwoman provided periodical information to MPs, Senators, and both expert circles and lay public, through press conferences, workshops and letters, about energy prices and the progress in amending energy legislation and the influence thereof on energy prices in relation to regulatory issues in the energy sector.

The Office's representative took an active part in the meetings of the Interdepartmental Coordination Group for Fight against Corruption and the Office carried out tasks arising from the preparation of the Government Strategy in Fight against Corruption for 2015 to 2017, sponsored by the Office of the Government of the Czech Republic.

7.2 Public and media relations

7.2.1 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 remit. In 2014, the Office was approached by 66 applicants for information.

Under Section 18 of the above law, on 1 March 2015 the Office published a report for the preceding calendar year, containing the following:

Section 18(1)(a)

Number of requests for information: 66

Number of decisions to dismiss the request: 18

Section 18(1)(b)

Number of appeals filed against decisions: 8

Numbers of accepted and handled requests for information:

	Total received	Handled directly	Referred for handling
Requests (Section 18(1)(a))	66	66	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 2014 from the perspective of the Office's activities

Licences	28
Regulation	6
Oversight	2
Other	19
Legislation and administration	3
Supported energy sources	8
Total	66

The questions mainly concerned licence award and changes. There was extreme demand for information about the Office's competences, activities and purview, and also for issues concerning supported energy sources, primarily PVs.

The importance of energy as a whole is also highlighted by the fact that although the number of questions in 2014 was slightly smaller than in 2013, the questions are becoming more and more technical and also very extensive, and preparing answers to these questions is therefore more time consuming and requires the participation of a number of technical personnel to prepare complete and knowledgeable answers.

7.2.2 The media

Due to the shift in regulation in response to the respective legislative changes, 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 2014, 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, the Office issues 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.

7.3 Publications

In 2014, the *Energy Regulation Gazette*, issued by the Office under the Energy Act through the public administration portal (which offers verified e-information guaranteed by the government), appeared only in electronic form in accordance with the Energy Act and was subsequently also posted on the Office's website.

Seven issues of the *Energy Regulation Gazette* appeared in 2014. Four of them carried price decisions: two on electricity prices, one on gas prices, and one on the promotion of supported energy sources. The other publications included a report on the management of the Energy

Regulation Fund for 2013 and the budget proposed for the fund for 2014, information about the size of renewable electricity generation, the size of heat generation from biomass and the size of biomethane production in 2012, and a report on the level achieved in maintaining electricity transmission and distribution continuity for 2013.

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 2014.

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 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 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, MIT, 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 cabinet every year; the report is then approved by the Chamber of Deputies of Czech Parliament and is also provided to the EC and ACER. The Office usually also issues this report in electronic form in Czech and English.

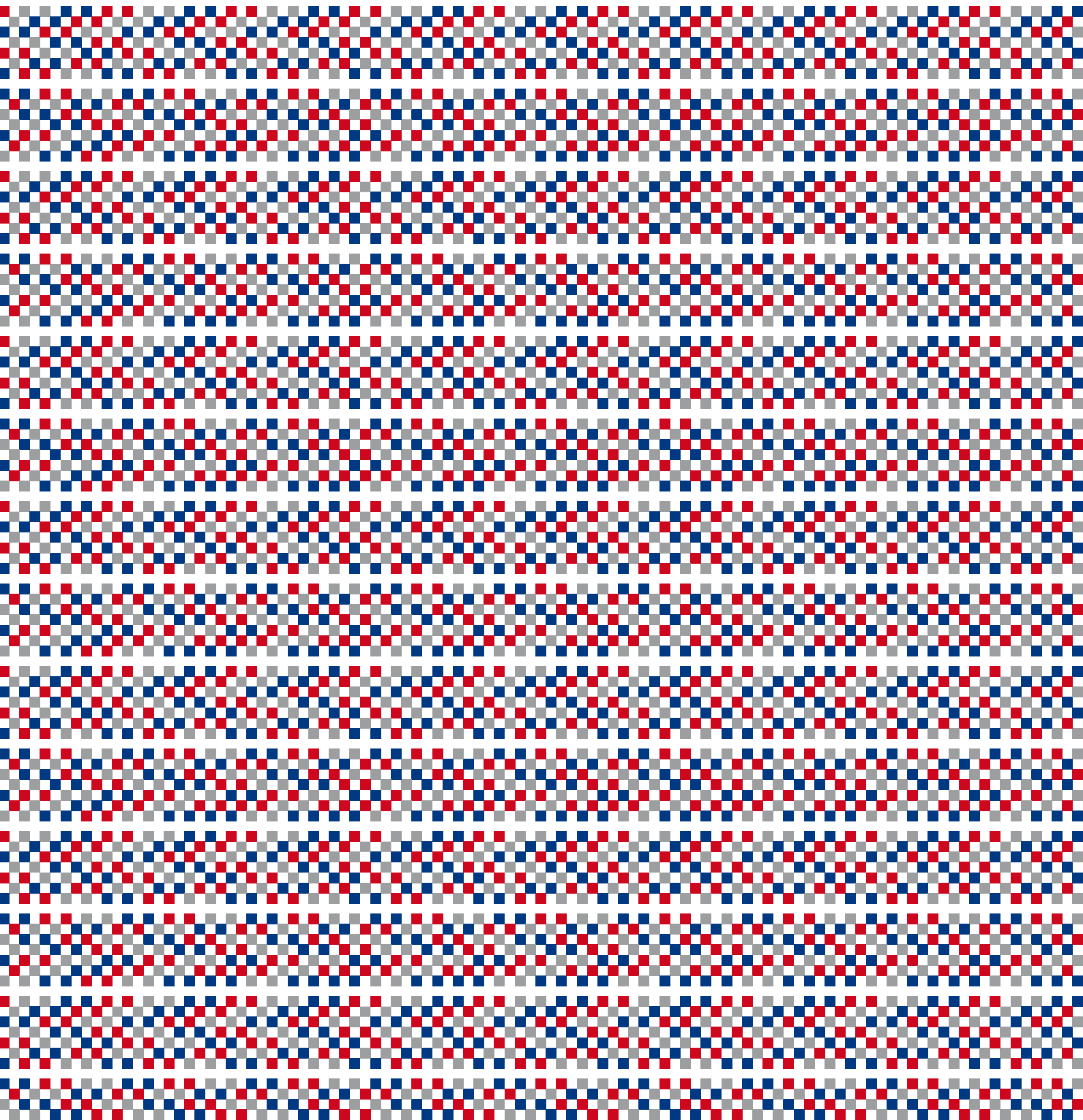
7.4 ERO website

Since April 2014, when the Office's new website was launched into routine operation, the Czech and English versions thereof have been continuously extended and updated. The new web environment has been placed under full management by ERO employees; three webmasters, two administrators and 29 editors for the various areas of the Office's activities worked with the web management system.

Subsequently, under a contract with DataLite, spol. s r.o., penetration tests were run to check the penetrability, and therefore security of the new website in the direction from the outside into the Office. DataLite, spol. s r.o. did not identify any critical defects that could, for example, allow easy access for hackers.

The contractor for the development of the new website was T-Mobile, a.s. By coincidence, this company is also the provider of hosting services: the Office's website is operated at T-Mobile's hosting centre on the basis of the provision of public administration communication infrastructure services.

8) ERO budget management



8) ERO budget management

8.1 The Chapter's budget

The budget for Chapter 349, Energy Regulatory Office, was approved as part of Act No 475/2013 on the National Budget for 2014 of 19 December 2013, with income totalling CZK 205,967,000 and expenditure totalling CZK 215,947,410.

The originally approved ERO budget for total income and expenditure was adjusted for 2014, in the area of expenditure, by two budgetary measures within the Finance Ministry's competence, to amount to CZK 206,013,340 (the budget after changes). The final budget was adjusted by six budgetary measures within the Office's competence to amount to CZK 221,048,840 by including the claims on unused expenses [NNV] from previous years, amounting to CZK 15,035,500. Furthermore, 14 budgetary measures within the Office's competence were carried out to transfer funds between budgetary items. Budget adjustments were made in compliance with Act No 218/2000 on budgetary rules, as amended. In 2014, the Office thus made 22 adjustments to budgeted expenditure. The scope and detailed structure of the budgetary measures are described in detail in the 2014 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.

8.2 Revenues to the Chapter

For Chapter 349, Energy Regulatory Office, for 2014 *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 2014 in terms of *total income* was **CZK 210,284,980**, i.e. at 102.10 per cent of the approved budget for *total income*.

In respect of *tax revenues*, as at 31 December 2014 actual performance was **CZK 206,834,360**, i.e. at 102.66 per cent of the approved budget and at 98.33 per cent compared with the same period of 2013. This tax revenue consisted of the administrative fees charged for licence award to entities operating in energy, amounting to CZK 6,352,350, and the fee for the Office's activities, amounting to CZK 200,482,010, under Section 17d of the Energy Act.

In respect of *non-tax revenues*, as at 31 December 2014 actual performance was **CZK 3,450,620**, i.e. at 76.68 per cent of the approved budget and at 53.43 per cent compared with the same period of 2013. 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, amounting to CZK 2,959,240. The balance was certain random income totalling CZK 491,380, which had not been budgeted. For 2014, income from the EU budget without CAP was not budgeted, and the actual amount reported at 31 December 2014 was nil.

8.2.1 Administrative fines

In respect of fines levied with finality, as at 31 December 2014 there were 92 outstanding receivables (account 315, other receivables from main activity) totalling **CZK 12,425,260** (compared with 2013, up by CZK 4,252,790, i.e. 52.04%). This growth was primarily due to the fine levied on Teplo Rumburk, s.r.o. and amounting to CZK 7,759,090.

Of the total amount of unpaid fines, CZK 2,126,680 is attributable to eight fines transferred to the Office from the SEI. These are fines in administrative proceedings and collection proceedings resulting from the SEI's inspections (until 18 August 2011) of compliance with Acts No 458/2000 (Energy Act), No 526/1990 (Act on Prices), and No 634/1992 (Act on Consumer Protection).

The largest receivables, which the Office is recovering in court, are those due from TEPLA NOVÝ BOR spol. s r.o., which owes two fines totalling CZK 1,459,640, from LENOX A s., Liberec, which is in receivership proceedings and owes five fines totalling CZK 988,000, and from Mr Václav Votava, one fine of CZK 519,040.

As at 31 December 2014, the ERO received CZK 2,959,230 in fines levied and paid; compared with 2013 this is a drop by CZK 3,184,200.

Of the above amount, in 2014 fines totalling CZK 2,338,250 were paid at the level of first instance. The following companies paid the higher fines:

RM-CZ s.r.o., SILNICE ČÁSLAV - HOLDING, a.s., GAS KOMPLET s.r.o., Stanix Projekt s.r.o., BM servis a.s., VUSTERM, a.s., Skanska a.s., G-berg, a.s., VCES a.s., and Vodohospodářské stavby Javorník-CZ s.r.o.

In the Office's POZE section, 16 administrative proceedings had been concluded with finality by 31 December 2014; all of the levied fines were paid, with the exception of two cases where the relevant decision became final and enforceable but the fines were not yet paid. These cases, where the fine was not even paid upon a reminder, were referred to enforcement proceedings. By 31 December 2014, a total of CZK 501,000 had been paid in fines within the POZE section. REN Power CZ a.s. paid the highest fine levied.

8.3 Expenditure

The total amounts actually drawn on the budget and a comparison with the final budget of expenses for 2014 can be seen in Table 8.

Table 8 Total amounts actually drawn – total expenditure for 2014

Amounts drawn on the budget	Final budget of expenditure [CZK]	Actual [CZK]	Percentage [%]
Total expenditure	221,048,840	194,074,120	87.80
of which:			
capital expenditure drawn	13,850,000	7,789,320	56.24
current expenditure drawn	207,198,840	186,284,800	89.91

8.3.1 Current and capital expenditure savings

As at 1 January 2014, 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 47,954,630. In 2014, NNV claims totalling CZK 15,035,500 were used. The closing balance of NNV claims for use as at 31 December 2014 was CZK 32,919,130.

In each case of expenditure in 2014, 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 versus the budget of expenditure, amounting to **CZK 26,974,720**, in particular in the following areas:

- salaries and other personnel expenses, incl. insurance premiums and FKSP CZK 415,030
- programme financing EDS/SMVS CZK 9,874,610
- 'other current expenditure' (w/o EDS/SMVS) CZK 16,685,080

These funds can therefore be used for financing the Office in 2015.

Total claims on unused expenses as at 1 January 2015, i.e. savings of CZK 26,974,720 achieved in 2014 and the balance of claims on unused expenses as at 31 December 2014, amounting to CZK 32,919,130, were reported at a total of **CZK 59,893,850** for chapter 349, of which:

- 'major expenses' (programme financing EDS/SMVS) CZK 26,868,240
- 'minor expenses' (other outside EDS/SMVS) CZK 33,025,610

8.3.2 Programme financing

In the system for financing the programmes of asset replacement, for 2014 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. The programme financing budget for 2014 was approved at **CZK 31,300,000** and the final budget of expenditure was the same, i.e. **CZK 31,300,000**. In 2014, no budgetary measures resulting in a change in the mandatory target were carried out in programme financing.

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 68.45 per cent, with the actual amount reported at CZK 21,425,390; in absolute terms, these are savings of CZK 9,874,610 against the final budget of expenditure.

Table 9 shows results for 2014 by sub-programmes and Table 10 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 2014.

Table 9 Results by sub-programme for 2014

	Final budget of expenditure [CZK]	Actual [CZK]	Percentage [%]
Total, Programme No. 149 010	31,300,000	21,425,390	68.45
of which:			
Sub-programme 149 011 ICT	28,100,000	21,425,390	76.25
Sub-programme 149 012	3,200,000	0.00	0.00

Table 10 Results by current and capital expenditure for 2014

	Final budget of expenditure [CZK]	Actual [CZK]	Percentage [%]
Total programme financing	31,300,000	21,425,390	68.45
of which:			
Current expenditure	17,450,000	13,636,070	78.14
Capital expenditure	13,850,000	7,789,320	56.24

Information and telecommunications technology at the Office

The objective is to continue developing the ERO's Integrated Information System (JIS), thereby improving the conditions for pursuing the various activities and for meeting the new tasks under the Energy Act and EU Directives.

The project for new electricity industry statistics and its inclusion in JIS was completed and launched into live operation in 2014.

Early 2014 saw the launch into live operation of a new solution for press service provision. The test operation and deliveries of printing devices took place in late 2013.

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.

October 2014 saw a successful recertification audit under ČSN ISI/IEC 2007:2013 and the Office therefore continues to be entitled to use the national certification logo, CQS, and the international certification logo, IQNet for its information security management system (ISMS).

8.3.3 Expenses on business trips abroad

Expenses on business trips abroad totalled CZK 4,450,010, of which CZK 3,573,310 were paid in travel costs. Compared with 2013, expenses on business trips abroad increased by CZK 965,470 (28 per cent). Altogether 155 business trips abroad took place in 2014 (149 in 2013).

Costs of the trips related to CEER/ACER activities and EU meetings amounted to CZK 2,247,300. Expenses on business trips to other meetings abroad, for example, V4 meetings, bilateral meetings, workshops, study visits and forums held by other organisers, amounted to CZK 1,546,010 and costs related to language courses abroad amounted to CZK 656,700.

For 2014, 'non-investment transfers to international organisations', carried in budget item 5511 'non-investment transfers to international organisations', amounted to CZK 888,580 (EUR 31,980), and related to the annual membership dues to CEER.

8.3.4 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 reviewed its spending of the chapter's budgeted funds on the basis of quarterly reports on financial management and a summary annual evaluation. It also prepared, as needed and on an ongoing basis, analyses of certain income and expense items of its budget. On the basis of these documents it assessed the past period, took decisions and set measures for the Office's further development. It also applied procedures under Act No 320/2001 on financial control in public administration and changes to certain laws (the Financial Control Act), as amended, and the relevant implementing regulation, no. 416/2004, as amended.

In awarding public contracts, the Office followed 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.

In 2014, the Office awarded public contracts within the limits applicable to low-value public contracts, i.e. off the regime of the law, while following the principles of transparency, equal treatment and prohibition of discrimination.

At total of 39 public contracts for deliverables over CZK 100,000, without VAT, were carried out in this way and concluded by the selection of the supplier and the execution of the contract; of these, eight contracts were in excess of CZK 750,000, without VAT. Before agreement execution, three public contracts were cancelled; one contract was cancelled at the stage of preparations and one public contract was launched in 2014 and finalised by agreement execution in early 2015. Using the procedure under the law, three public contracts were started by publishing preliminary information in the public contract information system managed by the Ministry for Regional Development.

Through the above public contracts the Office achieved financial savings of over CZK 2.6 million. Among the more important public contracts, the Office conducted, for example, a tendering procedure for a supplier of office requisites; its output was a master agreement executed with three suppliers for a period of four years, with savings, in terms of the largest item, i.e. office paper, of at least 15 per cent. The Office's public contracts mainly concerned ICT procurement and procurement of goods and services to support the Office's operation.

Table 11 Comparison of actual expenses under Chapter 349 Energy Regulatory Office, for the period 2002-2014

Item	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
Total expenses	77 637	93 978	116 770	105 018	98 556	101 130	107 906
of which:							
- Salaries, other payments, insurance premiums and FKSP	36 081	41 772	46 967	48 532	52 524	56 986	60 774
- Expenses on asset replacement financing programme	11 976	15 741	15 561	19 526	16 006	15 938	18 437
- Total other expenses	29 580	36 465	54 242	36 960	30 026	28 206	28 695
of which:							
- Allocations to the Reserve Fund (RF)	2 299	2 351	27 200	2 602	0	0	0
- Other expenses w/o RF	27 281	34 114	27 042	34 358	30 026	28 206	28 695
Expenses on salaries and other payments for work	26 470	30 656	34 397	35 493	38 466	41 619	44 431
Salaries to employees, incl. Chairperson	26 001	30 197	34 122	35 225	37 953	41 347	44 115
Staffing levels (FTE)	73	82	89	90	93	95	95
Average monthly salary	29 682	30 688	31 949	32 616	34 008	36 269	38 698
Payroll and social costs per employee	494	509	528	539	565	600	640
Programme financing costs per employee	164	192	175	217	172	168	194
Other expenses per employee	406	445	609	411	323	297	302
Total expenses per employee	1 064	1 146	1 312	1 167	1 060	1 065	1 136

Item	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Index 14/13
Total expenditure (final budget)	115 377	110 916	111 291	168 384	177 125	194 074	109.57
of which:							
- Salaries, other payments, insurance premiums and FKSP	63 937	67 274	66 334	102 855	118 584	137 273	115.76
- Expenses on asset replacement financing programme	21 232	18 145	20 811	30 052	25 919	21 425	82.66
- Total other expenses	30 208	25 497	24 146	35 477	32 622	35 376	108.44
of which:							
- Allocations to the Reserve Fund (RF)	0	0	0	0	0	0	0
- Other expenses w/o RF	30 208	25 497	24 146	35 477	32 622	35 376	108.44
- Use of NNV claims		5 975	7 395	6 306	7 496	5 117	68.26
Expenses on salaries and other payments for work	47 186	49 625	49 449	76 360	88 067	101 854	115.66
Salaries to employees incl. Chairperson	46 590	48 658	47 401	75 356	85 881	99 175	115.48
Staffing levels (FTE)	98	105	105	162	190	217	114.21
Average monthly salary	39 617	38 617	37 620	38 764	37 667	38 085	101.11
Payroll and social costs per employee	652	641	632	635	624	633	101.44
Programme financing costs per employee	217	173	198	186	136	99	72.79
Other expenses per employee	308	242	230	219	172	163	94.77
Total expenses per employee	1 177	1 056	1 060	1 039	932	895	96.03

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

8.4 Human resources

The Office's personnel and organisational activities were geared primarily towards the following tasks in 2014:

Personnel management agenda

In the budget approved for 2014, the number of ERO employees was set at 224. The main task for 2014 was to ensure that the new lines of activity were properly staffed and also to tackle the higher turnover of employees. Another important task was to staff the new departments: the REMIT department and the cost inspection department.

8.4.1 Education and training

Due to the expanding lines of activity and a larger number of new employees, and also due to the professional training of employees under Act No 234/2014 on civil service, as amended, a larger number of educational programmes had to be run even in excess of those that had been set for 2014 by an internal regulation. Much more funds were spent on education, CZK 4,185,680 (of which: expense item 5167 – training and education services, CZK 3,759,520; item 5021 – other personnel expenses, CZK 149,400; item 5169 – other services, CZK 63,440; item 5176 – conference fees, CZK 213,320). Total expenses on education therefore accounted for 4.22 per cent of the actual cost of salaries for employees under employment contracts (including ERO Chairperson's salary), which is much more than in 2013 (1.8% of expenses, CZK 1,542,240).

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. The issue of education was implemented in the Office's internal standard and the entire field of education was continuously updated and modified to meet the Office's current needs. 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. 54 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. 48 employees took this course.

Advanced training

a) Advanced managerial training

It had the nature of a two-day workshop attended by 47 managers and included a lecture on the topic of Act No 234/2014 on civil service, as amended. One manager completed an LL.M. programme.

b) Language training

In 2014, this training was extended. Some of the new employees were also included in language courses.

For 2014, 105 official positions were specified for which knowledge of a world language is prerequisite qualification. As at 31 December 2014, five of these official positions were vacant. In the 100 official positions that were filled, 66 employees fully met the language qualification requirement, and for 12 employees this requirement had been waived. In respect of 22 new employees, the language requirement will be met in 2015 and 2016 when they pass the respective examinations after going through the language courses. As at 31 December 2014, the language qualification requirements were therefore met by 78 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 2014.

Table 12 Employees' command of languages as at 31 December 2014

	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	75	30			105
German					
French					
Total	75	30			105

c) Other advanced training covered the following:

- training in occupational health and safety and fire protection,
- public notice no. 50/1978 on professional competence in electrical engineering,
- 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 MS Office,
- training in ethics and anti-corruption measures,
- training in energy basics for licensed business,
- additional ongoing training in amendments to legislation.

Altogether 141 training events were held, which is a major increase compared with the 64 events in 2013.

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

Table 13 Structure of education and training expenses

Training	Language training [CZK]	Other training [CZK]	Total [CZK]
Amount	953,090	3,232,590	4,485,680

CZK 953,090 was spent on language training, which was slightly more than in 2013 (CZK 876,440). CZK 479,650 and CZK 474,440 were allocated to language courses in other countries and in the Czech Republic, respectively. Spending on other education was significantly higher than in 2013 (CZK 665,800). This is why for expense item 5167 – training and education services, NNV claims amounting to CZK 1,259,520 had to be used to cover education financing. Of the CZK 3,232,590 drawn in 2014, the following fields of education took the largest amounts: the Rules of Administrative Procedure, CZK 202,760; the Civil Code, CZK 64,060; energy basics for licensed business, a course prepared in cooperation with VŠB Ostrava, CZK 1,281,290; and retraining courses, CZK 191,490.

In addition, 66 employees were delegated to various conferences and seminars on regulatory issues.

8.4.2 Employees

The approved budget for 2014, in respect of the 'mandatory standard target' of 'salaries for employees and other payments for work', was at a level of CZK 100,968,960. The final budget was CZK 102,077,310 and was met at a level of 99.78 per cent, i.e. **CZK 101,854,360**; of this, the mandatory standard target of salaries for employees, with an approved budget of CZK 97,260,000 and a final budget of CZK 97,827,350, was met at a level of 100 per cent, **CZK 97,827,350**, and the mandatory standard target of salaries for employees derived from those of constitutional officials was met at a level of 85.87 per cent, CZK 1,347,250. An average salary of CZK 36,767 was planned for 2014. The actually achieved average salary was CZK 38,085, index 103.58 per cent. The 2014/2013 index of the actually achieved average salary was 101.11 per cent and it was 100.40 per cent when annual inflation is taken into consideration.

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

- Item 5021, other personnel expenses **CZK 2,417,960**

Of which,

- work in the preparation of expert calculations and opinions, and consultations CZK 1,241,610
- work related to the remonstrance commission CZK 287,900
- work in the licensing department CZK 162,290
- on the REMIT department CZK 439,000
- on the Office's other operating needs CZK 279,730
- undrawn funds (transfer from the deposit account) CZK 7,430
- Item 5024, severance pay (related to organisational changes) **CZK 261,800**

In expense item 502, NNV claims totalling CZK 541,000 had to be used; of which, for item 5021 – other personnel expenses, CZK 278,000, and for item 5024 – severance pay, CZK 263,000.

In 2014, the average number of FTE employees was **217** while the planned number was 224, i.e. the plan was met at 96.88 per cent. Compared with 2013 this was 27 employees more.

The actual number of employees registered as at 31 December 2014 was 237 while the plan had been 224. This was 19 more employees than the staffing level as at 31 December 2013.

The staffing level was mainly influenced by the situation in the second half of 2014 when several repeated recruitment processes 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 eligible candidates. Another negative factor was the heavier employee turnover.

For illustration: staffing level as at 30 June 2014: actual number 237, average FTE for the first half of 2014 was 211 and for the second half 223 employees.

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 30 employees (as at 31 December 2014) under 'agreements to complete a job' and 'agreements to perform work'.

It is quite difficult to recruit suitable new employees; the reasons include the wage levels and strong wage-related competition in energy industries and the general shortage of university graduates skilled in technical and engineering fields. Language requirements also play a role here. In spite of that, the Office gradually met its most urgent needs in terms of both the number and the skills of employees in each organisational unit. However, for the above reasons the Office must repeat a number of recruitment procedures and it therefore often takes quite a long time before eligible candidates for vacancies are found.

The employee structure, by selected criteria, is illustrated in Tables 14 and 15.

Table 14 Incoming and outgoing employees in 2014

	New staff	Leaving staff
Number	54	28

Of the overall number of 237 employees as at 31 December 2014, 80 worked in Jihlava, 89 in Prague and 68 in Ostrava [worked within the meaning of the place of performance of work / agreement on regular workplace].

In terms of assignment to units, of the planned 224 scheduled job positions, 14 are assigned to the ERO Chairwoman, First Vice-Chairman and audit sections, 15 to the external relations section, 13 to the European affairs and strategy section, 50 to the regulation section, 8 to the supported energy sources section, 26 to the legislative and administration section, 31 to the operations section and 67 to the oversight section.

Table 15 Employee structure by age and gender as at 31 December 2014

Age category	Men	Women	Total	Share of total staff [%]
Up to 20 years	0	1	1	0.4
21–30	37	36	73	30.8
31–40	33	30	63	26.6
41–50	12	26	38	16.0
51–60	24	20	44	18.6
61 years and older	11	7	18	7.6
Total	117	120	237	100.0
Percentage	49.4	50.6	100.0	–

Compared with the preceding period, the percentages of men and women were almost the same. The staffing levels in the critical age categories between 21 and 60 years are relatively balanced. In the group of managerial personnel, of the total of 53 planned positions 45 were filled, of which 17 by women, i.e. 37.78 per cent as at 31 December 2014.

Table 14 Employee structure by education and gender as at 31 December 2014

Education	Men	Women	Total	Share of total staff [%]
Primary	0	0	0	0.0
Vocational	1	0	1	0.4
Vocational secondary	0	1	1	0.4
Complete secondary	1	8	9	3.8
Complete vocational secondary	12	24	36	15.2
Higher education college	1	0	1	0.4
University	102	87	189	79.8
Total	117	120	237	100.0

The Office continues to be successful in steadily raising the number of employees with university education: compared with 2013, the growth was 18 employees in 2014. The situation reflects the heavy requirements placed on employees and the increasing difficulty of the existing and new lines of activity.

Table 17 Duration of employment as at 31 December 2014

Employment	Number	Share of total staff [%]
Up to 5 years	181	76.4
Up to 10 years	15	6.3
Over 10 years	41	17.3
Total	237	100.0

The table clearly shows that in 2014, as in the preceding period, the number of employees in employment for up to five years significantly increased. This was primarily due to the POZE inspection department and the cost inspection department, both of which accepted a large number of new employees.

8.4.3 Organisational activities

In 2014, 32 internal regulations were issued, of which 22 were ERO Chairwoman's Measures required for supporting the Office's own functioning and also four ERO Chairwoman's decisions concerning the Office's structure and six guidelines specifying instructions for improving and standardising the procedures followed by the Office's technical units.

8.5 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 2014, the Office's FKSP account held **CZK 189,710**.

Reserve Fund

The balance in the Reserve Fund was nil as at 31 December 2014. There was no movement in 2014.

8.6 Assets, receivables and liabilities

As at 31 December 2014, the Office **held assets valued CZK 182,857,820** at acquisition cost, and carried at a book value of **CZK 76,486,880** following accumulated depreciation. The assets that the Office is authorised to manage are listed in detail in Appendix 3. In 2014 the total value of assets at acquisition cost increased by CZK 4,336,020 on 2013, which is mainly attributable to the development and replacement of the Office's technical facilities.

As at 31 December 2014, **receivables totalled CZK 16,663,490**. In this amount, the largest part is CZK 12,425,260 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), and No 634/1992 (Act on Consumer Protection) and as to 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 1,463,420, prepaid expenses of CZK 2,746,780 and receivables from employees of CZK 28,020. As at 31 December 2014, the Office did not record any trade receivables.

As at 31 December 2014, **liabilities totalled CZK 63,596,540**. They included liabilities to employees, liabilities under social security and health insurance, and income tax liabilities related to employees, totalling CZK 17,224,950 and resulting from wage accounting for December 2014, which were paid on the payday on 9 January 2015. Liabilities also included the Energy Regulation Fund, CZK 45,444,390, accrued expenses of CZK 840,430, the balance in the payment card account at ČSOB, a.s., CZK 970 and the balance of the allocation to FKSP for 2014, CZK 85,800. The Office had no payables to suppliers; suppliers' invoices received by the Office before the end of 2014 were paid. The Office had no overdue liabilities as at 31 December 2014.

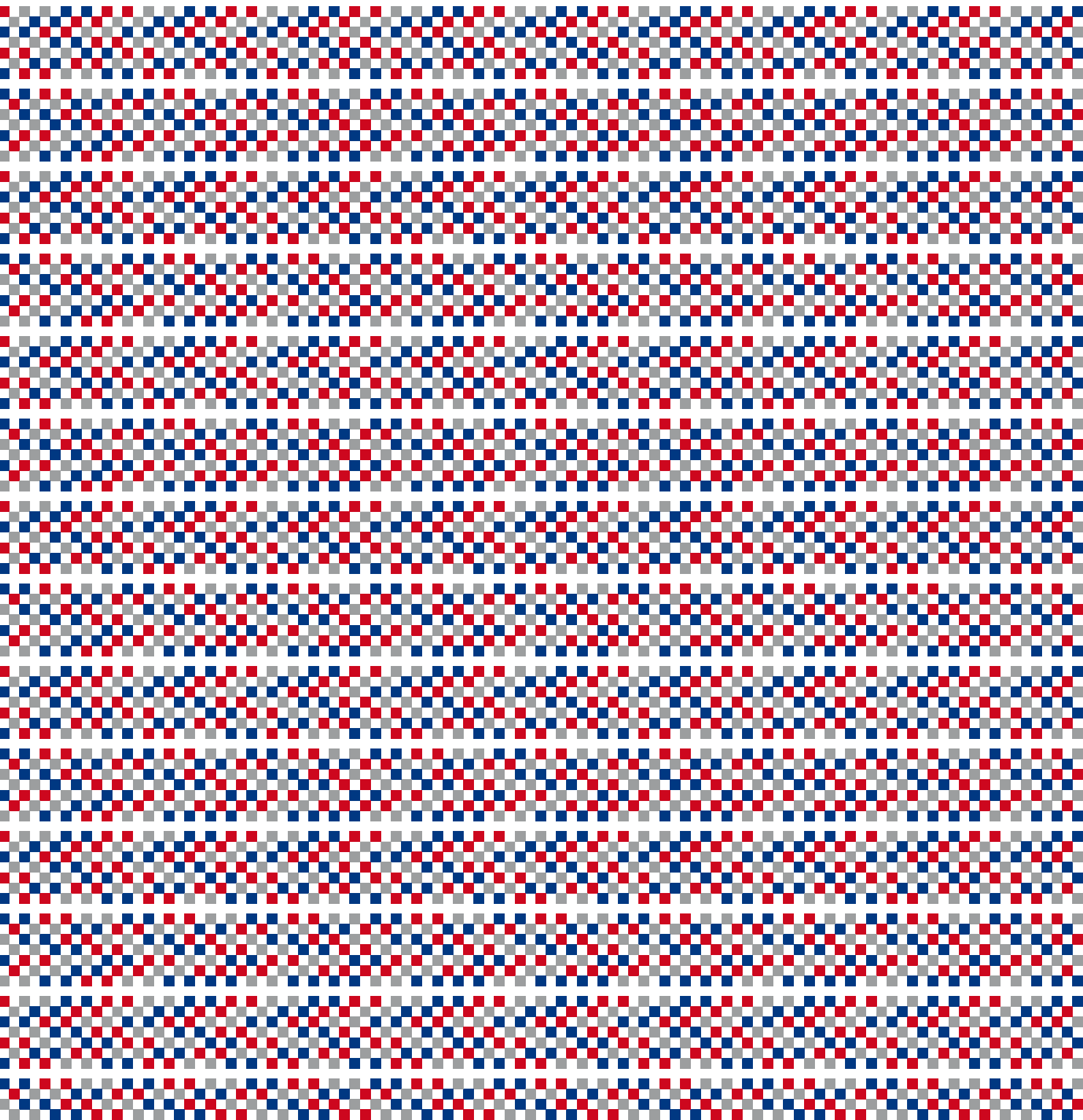
8.7 Meeting of mandatory targets

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 18.

Table 18 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	210,284,980	102.10
Total expenditure	215,947,410	206,013,340	221,048,840	194,074,120	87.80
Specific targets – income					
Tax revenues	201,467,000	201,467,000	201,467,000	206,834,360	102.66
Non-tax revenues, capital revenues and accepted transfers	4,500,000	4,500,000	4,500,000	3,450,620	76.68
of which: income from EU budget w/o CAP, total	0.00	0.00	0.00	0.00	0.00
other non-tax income	4,500,000	4,500,000	4,500,000	3,450,620	76.68
Specific targets – expenditure					
Outlays to support the ERO's tasks	215,947,410	206,013,340	221,048,840	194,074,120	87.80
Standard targets					
Salaries for employees and other payments for work	100,968,960	101,536,310	102,077,310	101,854,360	99.78
Salaries for employees under employment contract	97,260,000	97,827,350	97,827,350	97,827,350	100.00
Salaries of civil servants	0.00	0.00	0.00	0.00	
Salaries for employees under employment contract derived from salaries of constitutional officials	1,569,000	1,569,000	1,569,000	1,347,250	85.87
Statutory insurance premiums paid by the employer	34,329,580	34,522,480	34,616,980	34,427,130	99.45
Allocation to the Fund of Cultural and Social Needs (FKSP)	988,380	994,060	994,060	991,820	99.77
Arrangements for crisis situations under Act No 240/2000	0.00	0.00	0.00	0.00	0
Total outlays co-financed from the EU budget w/o CAP	0.00	0.00	0.00	0.00	0
of which: from the national budget	0.00	0.00	0.00	0.00	0
share from the EU budget	0.00	0.00	0.00	0.00	0
Total expenses recorded in the EDS/SMVS programme financing information system	31,300,000	31,300,000	31,300,000	21,425,390	68.45

9) Internal oversight system



9) Internal oversight system

9.1 External inspections

In 2014, two outside inspections of the Office were carried out by external oversight authorities. One inspection was carried out by Všeobecná zdravotní pojišťovna (VZP) and concerned the payroll area; no shortcoming was found. The other inspection was carried out by the Ministry of the Interior and concerned drawing on structural funds under ERO's project Compatibility of the Filing Service (project completed on 30 November 2009). No breach of the conditions for subsidy granting was found. The outcome was only a recommendation to clarify the procedure of accounting for subsidies from structural funds in an internal regulation.

9.2 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 (IA) unit organisationally separate from the managerial and executive functions and directly reporting to ERO Chairwoman.

The IA Unit's functional independence is fully and permanently provided for in the Internal Audit Statute and the Code of Ethics for Internal Auditors, which is part of the Office's Rules of Organisation. IA 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 2014, the Internal Audit Unit was not given any other operating or managerial functions conflicting with the independent pursuance of internal audit assignments and objectives or impairing its independence.

Internal audit followed the annual Internal Audit Plan for 2014, approved by ERO Chairwoman, and carried out assignments given *ad hoc*.

The annual Internal Audit Plan was prepared on the basis of the Mid-term Internal Audit Plan for 2012-2014, objective assessment of the risks arising from the Office's tasks, results arising from the design and working of the internal control system, and conclusions of audit actions and monitoring of measures from preceding years.

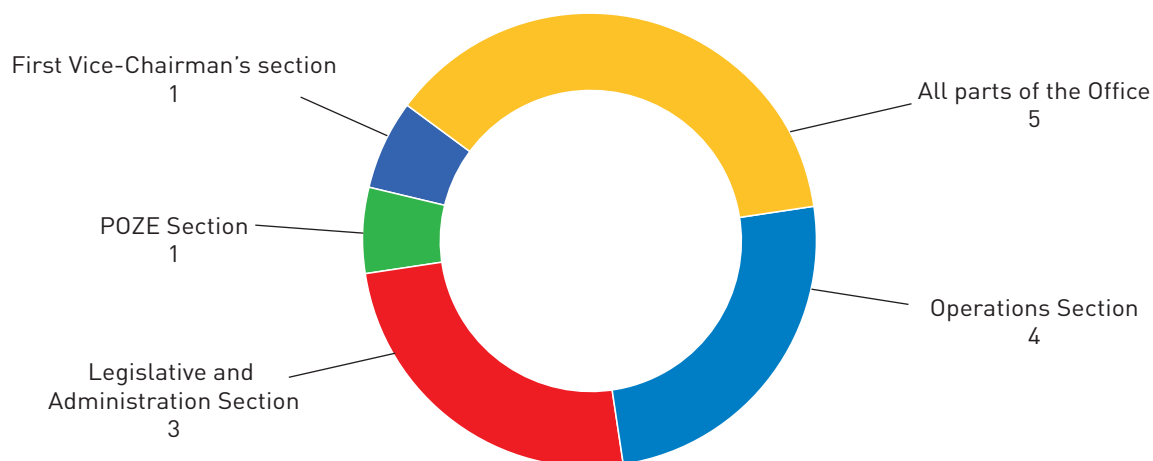
Over and above the annual Internal Audit Plan ERO Chairwoman authorised internal audit under Act No 320/2001 to carry out audit actions at the level of extraordinary audits and reviews that were a priority for the Office in 2014.

Audits focused on checking risk management systems, compliance with the public contract awarding and implementation procedures, accounting documents as to their accuracy, conclusiveness and completeness, fight against corruption, ISMS, and the efficacy, economy, efficiency and accuracy of the operations carried out in each of the processes across the Office

in line with the Office’s objectives, needs and mission under the Energy Act.

The Internal Audit Unit carried out nine planned audit actions, two planned reviews and three extraordinary audit actions and reviews 2014.

Chart 25 Number of audit actions carried out in each section in 2014



These audit actions mainly emphasised compliance with legislation and internal regulations and reflection of laws and regulations in the Office’s internal regulations, and protection of public funds against risks and irregularities and other shortcomings, and reviewed the economy, efficiency and efficacy of spending public funds on the Office’s operations and performance. The audit actions also focused on assessing the timeliness and reliability of information about the disposal of public funds, conclusiveness of bookkeeping, compliance with the required procedures in public contract awarding and implementation, employment relations, fight against corruption, and ISMS. The internal control system and mechanisms in place, and their settings and efficiency, were also audited.

Internal audits and reviews resulted in 35 recommendations for eliminating the shortcomings identified; the recommendations 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 recommendations were most frequently directed towards risk prevention, improvements in the management of the Office’s operating and financial activities, and enhancing the efficiency of the control and oversight mechanisms. The measures have 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 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.

The results of internal audit’s work, including an assessment of the implementation of all the

measures adopted, were evaluated in a Summary Report on Internal Audit Results for 2014, which was submitted to ERO management.

In addition to audit, the Internal Audit Unit carried out consulting and advisory activities in the areas 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.

Internal audit draws up Reports on the Results of Financial Control for the Ministry of Finance for the relevant year under Act No 320/2001 on financial control and the relevant implementing regulation. The Report on the Results of Financial Control for 2014 notes that the system meets the required needs and requirements.

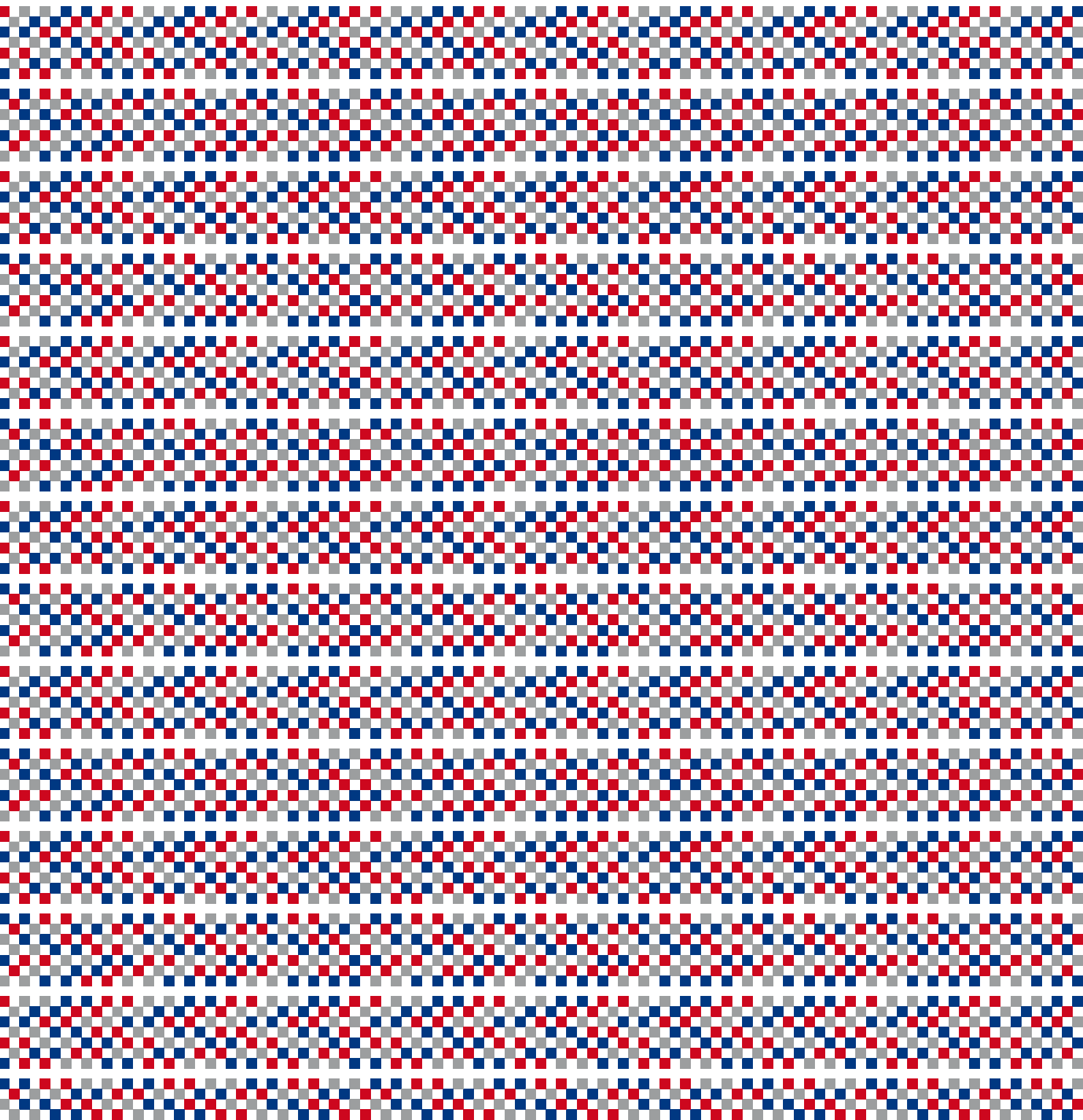
The other component of the internal oversight system is management inspections carried out by managerial personnel under their powers and competences.

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 from internal audit, adopts measures to remedy the shortcomings identified, and continuously reviews and updates internal steering documents.

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

A) Administrative proceedings completed in 2014 in the Approval and Adversarial Proceedings Department

A.1 Adversarial proceedings

A.1.1 The electricity industry

In 2014, the Office concluded **33 adversarial administrative proceedings** in the electricity industry with finality. As in the preceding years, a number of licence holders and customers, or their representatives, approached ERO with motions for initiating adversarial administrative proceedings in this energy industry. In this respect, adversarial proceedings conducted in the electricity industry remain (in terms of the number of disputes) the most prominent part of the adjudication agenda; nevertheless, their number tends to stay the same or slightly decline compared with preceding years, also thanks to the legislative and technical measures in this area. On the other hand, the disputes are becoming increasingly complex: there are fewer cases that are similar as to substance, and there are more and more cases that are complex as to the law and the facts, which require independent and impartial individual assessment by the administrative authority, taking into account all the relevant documents submitted in the proceedings.

The motions for ERO to adjudicate disputes mainly related to disputes under Section 52 of the law on supported energy sources, over support for electricity generation from RES (in particular PVs), and most recently also electricity from high-efficiency combined heat and power generation. The subject matter was usually 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, in one case also a CHP contribution. In addition, the Office adjudicated disputes over the conclusion of some of the agreements under the Energy Act, in particular agreements on the connection of consuming equipment and electricity generating plants to the distribution system (Section 50(3) of the Energy Act) and electricity supply agreements concluded for the purpose of the payment of support for renewable electricity generation (Section 50(1) of the Energy Act). In two cases the dispute was over compensation for failure to keep the set standards of the quality of supply and services in the electricity industry and one petitioner sought a decision ordering the resumption of electricity distribution and supply to her supply point.

In respect of customers taking electricity/gas in households, a major adjudicating area is proceedings under Section 17(7)(e) of the Energy Act, in particular those through which they seek a declaration of the emergence, existence or discharge of a legal relationship established by agreements on bundled electricity/gas supply services. The Office is being increasingly

approached by customers with typical questions on electricity and gas supplier switching, problems related thereto, and, most recently, motions for opening adversarial administrative proceedings; in this respect we expect the number of these disputes to continue rising.

Overview of adjudicated disputes:

GENERIN s.r.o. v ČEZ Distribuce, a. s., and ČEZ Prodej, s.r.o.

A dispute over support for renewable electricity generation (a 186 kW PV). The petitioner sought the imposition on the respondents of the obligation to buy out electricity generated in that plant for the feed-in tariffs set out in ERO price decision for electricity generating plants using solar radiation and commissioned between 1 January 2010 and 31 December 2010. From ČEZ Prodej, s.r.o., he also sought a payment of the difference between the feed-in tariff that had been paid to him since the effective date of the electricity purchase agreement and the feed-in tariff he claimed in the proceedings. The motion was rejected in full, mainly because the administrative proceedings clearly proved that the petitioner's plant had not been commissioned in 2010 and that the petitioner was not entitled to support amounting to that for plants commissioned in 2010 or to any payment.

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

The subject matter of the administrative proceedings was a dispute over the resumption of electricity distribution and supply to the petitioner's supply point in Prague. The petitioner sought the imposition on the respondents of the obligation to connect her supply point, resume electricity supply to that point, and refrain from disconnecting this point and from curtailing electricity supply to that point. The administrative proceedings proved that at the petitioner's supply point, illegal consumption under the Energy Act had existed and had been identified by the distributor; a part of equipment through which unmetered electricity was flowing was connected, or electricity was taken from it. This was the key reason for rejecting the motion in the part seeking the imposition of an obligation on PREDistribuce, a.s. It was found, besides this, that Pražská energetika, a.s., did not have a standing as a respondent in the proceedings, which was also the reason for rejecting this part of the motion.

Mrs Anna Černá v SVT Group, a.s., and CENTROPOL ENERGY, a.s.

Mrs Anna Černá, a household customer for electricity, sought a decision declaring that the contractual relationship between her and SVT Group, a.s. had not been established and that the contractual relationship between her and CENTROPOL ENERGY, a.s. had been established and existed. The petitioner specifically argued that the signature on the agreement that she had allegedly signed with SVT Group, a.s. and the signature on the termination of the agreement with the current electricity supplier, CENTROPOL ENERGY, a.s., had been forged. The Office rejected the motion on both counts because the petitioner failed to bear the burden of proving that the signatures were forged and so could not be successful in her demands.

TOMA a.s. v E.ON Distribuce, a.s., and OTE, a.s.

The subject matter of the administrative proceedings was a dispute over the payment of support for renewable electricity generation and for high-efficiency CHP – a generating plant firing biogas from a wastewater treatment plant – in the form of a green premium and a contribution to CHP (for the second and third quarters of 2012). The petitioner based its arguments on a claim that it was entitled to the green premiums and the contribution to CHP for the second and third quarters of 2012 although it had not been licensed in that period. In the proceedings it was proved that the petitioner was not so entitled (precisely on the grounds that in the relevant period it did not hold an electricity generating licence); the request for imposing an obligation on OTE, a.s. to pay the support was therefore rejected. In relation to E.ON Distribuce, a.s., the claim was also rejected but the grounds were a lack of standing to be a respondent.

Mr Ondřej Ullrich v OTE, a.s., and ČEZ Distribuce, a. s.

The subject matter of the administrative proceedings was a dispute over the payment of support for renewable electricity generation, with the petitioner seeking the award of the right to a green premium in the amount set out in the law and the applicable ERO price decision for an up to 30 kW, inclusive, electricity generating plant using solar radiation and commissioned between 1 January 2010 and 31 December 2010. However, it was proved in the administrative proceedings that the petitioner's PV had not been commissioned in 2010 (within the meaning of point (1.9) of ERO Price Decision 4/2009), and the claim was therefore rejected in full.

Mrs Eva Konečná v BOHEMIA ENERGY entity s.r.o., and E.ON Energie, a.s.

The petitioner sought a declaration of the discharge of a contractual relationship on electricity supply and distribution with BOHEMIA ENERGY entity s.r.o., and also of the emergence of legal relationships on the same subject matter with E.ON Energie, a.s. Since it was proved that the duration of the contractual relationship between the petitioner and BOHEMIA ENERGY entity s.r.o. had been contractually limited to two years and since that period had ended, the Office decided that the legal relationship between the petitioner and BOHEMIA ENERGY entity s.r.o. had been discharged. Furthermore, since the petitioner proved that she had duly accepted proposals of E.ON Energie, a.s. for entering into agreements, the Office could not but declare the emergence of contractual relationships between the petitioner and E.ON Energie, a.s.

Mrs Bronislava Hanáková v CENTROPOL ENERGY, a.s.

The petitioner sought an authoritative declaration that the contractual relationship between her and the respondent on electricity supply and distribution had been discharged on the basis of a duly delivered notice of termination. In these proceedings, the Office initially excluded the option of a unilateral amendment to the commercial terms and conditions causing a change in the duration of the contractual relationship (from an indefinite period to a fixed term). Thereupon the Office concluded that the petitioner had delivered a proper notice of termination of the contractual relationship that had been entered into for an indefinite period, and therefore granted her claim and declared the discharge of the contractual relationship.

Mr František Stloukal v RIGHT POWER ENERGY, s.r.o.

The subject matter of the administrative proceedings was a dispute over the discharge of the legal relationship on electricity supply and distribution. The Office excluded the option of a unilateral amendment to the commercial terms and conditions causing a change in the covenant on the duration of the obligation, consisting in the extension thereof. In its decision, the Office granted the petitioner's claim as it concluded that the contractual relationship had been discharged by the elapse of the term agreed in the agreement.

Šlapanská elektrárenská, s.r.o. v ČEZ Distribuce, a.s.

The petitioner sought the connection of a small hydroelectric power station (MVE Šlapany) to the distribution system operated by the respondent. The petitioner derived its claim mainly from the affirmative opinions on the connection, dated 2004 and 2005, whereby the respondent had booked connection capacity. However, it was proved in this case that these capacity bookings had been discharged and also that at present, exemptions from the connection obligation existed under Section 7(1) of the law on supported energy sources, and the motion was therefore rejected in full.

Mr Otakar Kemr v ČEZ Prodej, s.r.o.

The petitioner sought a declaration that the legal relationship on electricity supply and distribution for a fixed term ending on 31 December 2015 had not been established on the basis of an orally made addendum to the agreement. The Office found the orally made addendum to the written agreement to be null and void *ex tunc* under Section 40(2) of the Civil Code and therefore decided that no legal relationship for a fixed term ending on 31 December 2015 had been established between the parties.

Mr Jaroslav Halama v BOHEMIA ENERGY entity s.r.o.

The subject matter of the administrative proceedings was a dispute over the obligation under an agreement on electricity supply and distribution to the customer's supply point. The administrative proceedings were discontinued on the grounds of the request becoming manifestly irrelevant.

Mr Jaroslav Halama v BOHEMIA ENERGY entity s.r.o. II

The petitioner sought an authoritative declaration that the legal relationship on electricity supply and distribution between himself and the respondent continued to exist. The Office had to decide, on the merits, the question of the justifiability of the act made by the respondent, whereby it terminated the contractual relationship existing between the parties. The Office concluded that in this case, the contractual relationship could not be discharged on the basis of the respondent's act because the latter was not entitled to such act under the agreement or under the law; the motion was therefore granted.

Mr Josef Šimák v COMFORT ENERGY s.r.o.

The subject matter of the administrative proceedings was a dispute over the discharge of a contractual relationship on electricity supply and distribution on the basis of rescission under Section 11a of the Energy Act. The petitioner claimed that in accordance with the law, he had rescinded the agreement with the respondent five days before the start of supply. The petitioner failed to prove, however, that the notice of rescission had reached the respondent and so caused the discharge of the contractual relationship. In this case, the motion had to be rejected.

Mr Ladislav Rysner v E.ON Energie, a.s.

The petitioner sought an authoritative declaration of the discharge of a legal relationship on electricity supply and distribution between himself and the respondent as of 30 November 2013. The petitioner claimed that he had delivered a proper notice of termination and that the period of termination had ended on 30 November 2013. However, the Office rejected the motion because the day specified by the petitioner was a Saturday. The Civil Code did not differentiate between the running of time and the running of periods [time limits], and therefore under Section 122(3) of the Civil Code the last day of the period of notice was the nearest subsequent business day, i.e. Monday 2 December 2013.

Mrs Jana Grézlová v E.ON Energie, a.s.

The petitioner sought an authoritative declaration of the discharge of a legal relationship on electricity supply and distribution between herself and the respondent as of 30 November 2013. The petitioner claimed that she had delivered a proper notice of termination and that the period of termination had ended on 30 November 2013. However, the Office rejected the motion because the day specified by the petitioner was a Saturday. The Civil Code did not differentiate between the running of time and the running of periods [time limits], and therefore under Section 122(3) of the Civil Code the last day of the period of notice was the nearest subsequent business day, i.e. Monday 2 December 2013.

Mr Josef Nežádal v COMFORT ENERGY s.r.o.

The petitioner sought a declaration that between himself and the respondent no legal relationship on electricity supply and distribution had emerged. According to the petitioner, the signature on the agreement was forged. However, the petitioner then withdrew his motion and the respondent did not express its disagreement with such withdrawal, and the administrative proceedings were therefore discontinued under Section 66(1)(a) of the Energy Act.

Mr Ondřej Ullrich v PREDistribuce, a.s., and OTE, a.s.

The subject matter of the administrative proceedings was a dispute over the payment of support for renewable electricity generation – a generating plant using solar radiation. The petitioner sought the amount of support (in the form of green premiums) laid down for plants commissioned between 1 January 2010 and 31 December 2010, including the award of legal costs. In the

proceedings it was proved that the electricity generating plant had been commissioned in 2011 and the motion was therefore rejected in full.

PH KOVO - RECYCLING CHEB, s.r.o. v OTE, a.s.

The subject matter of the administrative proceedings was a dispute over the payment of support for renewable electricity generation – plants using solar radiation. The petitioner sought the amount of the support (in the form of green premiums) laid down for plants commissioned between 1 January 2010 and 31 December 2010. In the proceedings it was proved that the electricity generating plants had not been commissioned in 2010 and the motion was therefore rejected.

Jednota, spotřební družstvo v ČEZ Distribuce, a. s., and ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over the execution of a connection agreement with ČEZ Distribuce, a.s. and a dispute over the performance of an obligation under an agreement on electricity supply and distribution with ČEZ Prodej, s.r.o. The administrative proceedings were discontinued to the extent of ČEZ Distribuce, a.s., because the motion to open proceedings was withdrawn, and to the extent of ČEZ Prodej, s.r.o. they were also discontinued as manifestly legally impermissible.

STAEL s.r.o. v OTE, a.s., and ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over the payment of support for renewable electricity generation – a generating plant using solar radiation. The petitioner's arguments were based on the claim that it was entitled to a different (higher) feed-in tariff than the one laid down in the relevant price decision lying down support for supported energy sources. In the proceedings it was proved that the petitioner did not have such right. The demand for imposing an obligation on ČEZ Prodej, s.r.o. to pay the support was therefore rejected. To the extent of OTE, a.s., the motion was also rejected, but the reason was lack of standing to be a respondent.

Rýnovická energetická s.r.o. 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 installation to the distribution system. The contentious point for which the agreement had not been executed was the issue of the share of the justifiable costs of connection. With regard to the connection method, the respondent calculated the amount of the share for type A connection, but according to the petitioner it was obliged to pay a share in the amount required for type B1 connection. In the proceedings, the supply point connection was proved to be type A and the motion was therefore rejected.

Mr Vojtěch Přehnal v BOHEMIA ENERGY entity s.r.o., and České Energetické Centrum a.s.

The subject matter of the administrative proceedings was a dispute for a declaration of whether or not a legal relationship on electricity and gas supply and distribution had been discharged. The Office authoritatively concluded that the relationship had been discharged on the basis of an objective legal fact (passage of time). The motion for proceedings on the alleged date of the discharge of the legal relationship was rejected, for the operative date of the discharge had been different.

PROTECO AGRO s.r.o. v OTE, a.s., and ČEZ Prodej, s.r.o.

The subject matter of the administrative proceedings was a dispute over the payment of support for renewable electricity generation – a generating plant using solar radiation. The petitioner's arguments were based on the claim that it was entitled to a different (higher) feed-in tariff than the one laid down in the relevant price decision lying down support for supported energy sources. In the proceedings it was proved that the petitioner did not have such right. The demand for imposing an obligation on ČEZ Prodej, s.r.o. to pay the support was therefore rejected. To the extent of OTE, a.s., the motion was also rejected, but the reason was lack of standing as a respondent.

Mrs Hana Pechmannová v CENTROPOL ENERGY, a.s.

The subject matter of the administrative proceedings was a dispute for a declaration of whether or not a legal relationship on electricity supply and distribution had been discharged. The Office authoritatively concluded that the relationship had been discharged on the basis of a legal fact (legal act), a unilateral notice of termination. To the extent of determining the operative date of the discharge of the legal relationship, the motion for opening proceedings was rejected as the discharge was proved as of a different date.

Mr Miroslav Suder v RWE Energie, s.r.o.

A dispute over the billing of the price for electricity supply to the supply point and over compensation for failure to keep the standard of electricity supply quality. The motion was withdrawn and the administrative proceedings were therefore discontinued.

Mr Pavel Radoň v ČEZ Prodej, s.r.o., and PREdistribuce, a.s.

The subject matter of the administrative proceedings was a dispute over the performance of an obligation under an agreement on electricity supply and distribution, i.e. the imposition on ČEZ Prodej, s.r.o. of an obligation to start and continue to supply electricity to the supply point of the petitioner and the imposition on PREdistribuce, a.s. of an obligation to distribute electricity to that supply point. The administrative proceedings were discontinued because *litispendence* was identified.

Mrs Jana Nováková v E.ON Energie, a.s.

The subject matter of the administrative proceedings was a dispute over the execution of an agreement on bundled electricity supply services. The motion for opening the proceedings was withdrawn and the administrative proceedings were therefore discontinued.

Mr Vladan Mácha v ČEZ Prodej, s.r.o.

In his motion, the operator of a small hydroelectric power station (a generator of renewable electricity) sought an imposition of the obligation on the mandatory buyer to execute an agreement on electricity supply, i.e. an agreement on renewable electricity buyout, in the wording specified in the motion. The motion was granted but only in part, since the Office's statutory competences are exclusively geared towards assessing the obligation of the licence holder to execute an agreement containing the material particulars set out in the Energy Act, in this case the particulars under Section 50(1) of the Energy Act. The decision imposed on ČEZ Prodej, s.r.o., as the mandatory buyer, the obligation to execute an agreement on renewable electricity supply with Vladan Mácha, containing the particulars under Section 50(1) of the Energy Act; the motion was rejected to the extent of other parts concerning other particulars.

Mr František Doubek v ČEZ Distribuce, a. s., OTE, a.s.

A dispute over the payment of support for renewable electricity generation in the form of green premiums. In the administrative proceedings the petitioner claimed the payment of the green premium in the amount set out by the law and the applicable ERO price decision for up to 30 kW, inclusive, electricity generating plants using solar radiation and commissioned between 1 January 2010 and 31 December 2010. However, in the administrative proceedings it was proved that the petitioner's PV was not commissioned in 2010 (as per point (1.9) of ERO Price Decision 4/2009), and the motion was therefore rejected in full.

Mr David Myška v ČEZ Prodej, s.r.o.

Administrative proceedings concerning a dispute over the payment of the difference between the feed-in tariff and the green premium for electricity generated in a renewable electricity plant (PV). Administrative proceedings were discontinued because the petitioner brought the same claim (the imposition of the same obligation on the same entity for the same reason) before the Office unsuccessfully in administrative proceedings that had been concluded with finality in 2013; there was therefore an estoppel *per rem judicatam* under Section 48(2) of the Rules of Administrative Procedure.

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 electricity generated in a renewable electricity plant (PV). Administrative proceedings were discontinued because the petitioner brought the same claim (the imposition of the same obligation on the same entity for the same reason) before the Office unsuccessfully in administrative proceedings that had been concluded with finality in 2013; there was therefore an estoppel *per rem judicatam* under Section 48(2) of the Rules of Administrative Procedure.

Mrs Irena Syptáková and Mr Karel Sypták v E.ON Distribuce, a.s.

Adversarial proceedings on the DSO's obligation to execute with the customers an agreement on the connection of electricity consuming equipment to the distribution system, containing the particulars required by the petitioners. In particular, the issue of the costs of erecting the electric connection line and the related issue of the point of connection were contentious between the parties (the petitioners refused to have the electric connection line erected at their own cost). During the administrative proceedings it was proved that for the purposes of connecting the appliance to the distribution system, the electric connection line would have to be erected outside the built-up area and over a distance much longer than 50 metres; the costs of erection would therefore be payable by the petitioners. The Office therefore rejected their motion; the respondent, as a DSO, was indeed not obliged to execute with the petitioners an agreement on the connection of the appliance in the wording of the annex to the motion when the petitioners demanded a decision fixing the connection point for the appliance, and in turn fixing the issue of who bears the costs of the erection of the electric connection line for the purpose of connecting their appliance to the distribution system operated by the respondent.

Mr Rostislav Krejcar v Nano Energies Trade s.r.o.

The subject matter of the administrative proceedings was a dispute over compensation for failure to keep the standard of supply and service quality in the electricity industry (failure to meet the time limit for handling a complaint about electricity supply billing). During the administrative proceedings it was found that the customer had duly complained about his electricity supply billing but his electricity supplier delayed the handling of the complaint for dozens of days. The decision was therefore in favour of the customer, who is, under public notice no. 540/2005, entitled to a compensation (number of days of delay times the rate under the public notice) for such failure to keep the standard.

A.1.2 The gas industry

In the **gas industry**, 2014 saw the conclusion of **11 administrative proceedings** with finality. Although the smallest number of disputes were tackled in this industry for a long time, compared with 2013 the Office registered a few more cases in 2014. In most cases its decisions declared that the legal relationship established by an agreement on bundled gas supply had emerged, existed or been discharged. There was one dispute over the connection of a supply point to a gas distribution system and one dispute over compensation for failure to keep the set standards of supply and service quality in the gas industry. Summarising, as in the electricity industry the number of consumer disputes under Section 17(7)(e) of the Energy Act is growing, which only confirms the need to protect consumers in the energy sector.

Overview of disputes adjudicated:

Mr Pavel Vaňout v Lama energy a.s.

The subject matter of the administrative proceedings was a dispute over whether or not a contractual relationship on gas supply and distribution had been established between the petitioner and the respondent. The petitioner sought a decision declaring that this contractual relationship had not been established; however, during the administrative proceedings he did not prove in any way that genuine will had not been expressed upon the execution of the agreement on bundled gas supply services (i.e. that the act had been void), and the Office therefore rejected the claim.

Hana Nováková Svatební a společenská agentura Sunny life v RWE Energie, s.r.o.

The subject matter of the administrative proceedings was a dispute over the continued existence of contractual relationship on gas supply and distribution. The continued duration of this contractual relationship was proved and the Office therefore granted the petitioner's claim.

Mr Viktor Židlický v SPP CZ, a.s.

The dispute concerned the discharge of a legal relationship on gas supply and distribution. It was found during the administrative proceedings that the petitioner had revoked his proposal for executing an addendum to the agreement (whereby the contractual relationship would have been extended) and the contractual relationship was therefore discharged upon expiry of the term for which it had been originally established.

Mrs Milena Jůdová v BOHEMIA ENERGY entity s.r.o.

The petitioner sought a declaration of the discharge of a contractual relationship on gas supply and distribution. However, during the administrative proceedings the parties arrived at a conciliatory attitude and made it unequivocally clear that they were not interested in continuing the adversarial proceedings. The Office therefore discontinued the administrative proceedings under Section 66(1)(g) of the Rules of Administrative Procedure (the application became manifestly irrelevant).

Mr Ladislav Jůda v BOHEMIA ENERGY entity s.r.o.

The petitioner sought a declaration of the discharge of a contractual relationship on gas supply and distribution. However, during the administrative proceedings the parties arrived at a conciliatory attitude and made it unequivocally clear that they were not interested in continuing the adversarial proceedings. The Office therefore discontinued the administrative proceedings under Section 66(1)(g) of the Rules of Administrative Procedure (the application became manifestly irrelevant).

Mr Vítězslav Wojnar v RWE Energie, s.r.o.

The petitioner sought a decision authoritatively declaring that the legal relationship on gas supply and distribution had been discharged on the basis of rescission under Section 11a(3) of the Energy Act on grounds of a gas supply price hike. The Office concluded that the content of the contractual relationship had been changed in a way that the two parties had bilaterally agreed and that the contract price had not been changed surprisingly and unilaterally. The petitioner's claim therefore could not be granted.

Mr Libor Pernica v RWE GasNet, s.r.o.

The subject matter of the administrative proceedings was a dispute over the connection of a supply point to a gas distribution system. The motion for opening proceedings was withdrawn, and the administrative proceedings were therefore discontinued.

Mr Vojtěch Přehnal v BOHEMIA ENERGY entity s.r.o., and České Energetické Centrum a.s.

The subject matter of the administrative proceedings was a dispute for a declaration of whether or not a legal relationship on electricity and gas supply and distribution had been discharged. The

Office authoritatively ruled on the discharge of this relationship on the basis of an objective legal fact (the passage of time). The motion for opening proceedings on the alleged date of the discharge of the legal relationship was rejected because the operative date of the discharge was different.

Mr Miroslav Prošek v RWE Energie, s.r.o.

The petitioner sought compensation from RWE Energie, s.r.o. for damage caused by an unauthorised interruption in gas supply to the petitioner's supply point (relief I); compensation under public notice no. 545/2006 on the quality of gas supply and other services in the gas industry (relief II); and legal costs (relief III). The petitioner's submission was not examined to the extent of compensation for damage caused by an unauthorised interruption in gas supply. The subject matter of the administrative proceedings was a dispute over compensation for failure to keep the set standards of the quality of supply and services in the gas industry. During the proceedings, the parties reached settlement and the petitioner therefore revoked his motion for proceedings. The administrative proceedings were therefore discontinued.

Mr Jindřich Bezuško v České Energetické Centrum a.s.

The subject matter of the administrative proceedings was a dispute over the discharge of a contractual relationship established by an agreement on bundled gas supply services. The basis of the petitioner's arguments consisted in his claim that the contractual relationship had been discharged on the basis of rescission. In the proceedings it was proved that on the basis of the petitioner's communication addressed to the respondent, the rescission intended by the petitioner had not taken place because none of the grounds for rescinding the agreement had existed under the agreement or under the law. The motion was therefore rejected.

Mr Martin Švancara v BOHEMIA ENERGY entity s.r.o.

A dispute over a declaration that the legal relationship established by an agreement on bundled electricity and gas supply services had been discharged on the basis of the customer's rescission under Section 11a(3) of the Energy Act. The Office rejected the motion as it was proved that the gas supply price had only been increased in its regulated component; the statutory grounds for rescission under Section 11a(3) of the Energy Act therefore did not exist and the legal relationship in question therefore could not be discharged on the basis of these grounds.

A.1.3 The heating industry

In the heating industry, 2014 saw the conclusion of **5 administrative proceedings** with finality, half the number in 2013. Typically, these disputes were over the execution of agreements on heat supply or over their material particulars in the form of a heat price. A new issue in this area was one set of administrative proceedings concerning the obligatory buyout of heat from RES under Section 27 of the law on supported energy sources.

Overview of adjudicated disputes:

Společenství pro dům č.p. 1106-1110 v ulici Mařákova v Litomyšli [SVJ] v DS TEPLO, s.r.o.

A dispute initiated by SVJ over the execution of an agreement on thermal energy supply with a holder of a thermal energy generation and distribution licence. SVJ sought the imposition on DS TEPLO, s.r.o. of an obligation to execute with SVJ an agreement on thermal energy supply in the wording that was part of the motion (the main controversial point was the amount of the preliminary price of thermal energy; additional points included controversy over the title to the heat installations). The motion was rejected because SVJ failed to bear the burden of proof in relation to the satisfaction of the conditions in Section 76(1) of the Energy Act for the emergence of the licence holder's obligation to contract. In addition, the Office also reviewed the challenged amount of the price, noting in the substantiation of its decision that the price asked by DS TEPLO, s.r.o. had been calculated in line with price regulations.

Společenství pro dům č.p. 722, Praha 9 – Hostavice [SVJ] v Dalkia Česká republika, a.s.

By this motion for administrative proceedings the petitioner sought an obligation to be imposed by the Office on Dalkia Česká republika, a.s. to enter into an agreement with SVJ on thermal energy supply in the wording contained in the motion. As a preliminary question, the Office examined the passage of rights and obligations under the thermal energy supply agreement (in place between the developer and Dalkia Česká republika, a.s.) to the new SVJ. Here, the Office concluded that such passage did not take place. The Office also examined the existence of the respondent's obligation to contract under Section 76(1) of the Energy Act and the various particulars of the thermal energy supply agreement. In its decision the Office imposed on Dalkia Česká republika, a.s. the obligation to conclude with SVJ a new thermal energy supply agreement in the specified wording (as part of which the Office authoritatively adjusted the preliminary price for 2013 for the price locality "U Hostavického potoka č.p. 722 (building B)", reducing it from CZK 902.46/GJ, incl. VAT, to CZK 610.59/GJ w/o VAT).

KOMTERM Čechy, s.r.o. v Teplárna Písek, a.s.

The subject matter of the administrative proceedings was a dispute over the mandatory buyout of the heat generated by the petitioner from RES by Teplárna Písek, a.s. (under Section 27 of the law on supported energy sources), or a decision imposing an obligation on Teplárna Písek, a.s. to buy out the renewable heat from the petitioner, and to execute with the petitioner a thermal energy supply agreement accordingly. The administrative proceedings proved that should Teplárna Písek, a.s. buy out the heat generated by the petitioner the total cost of heat procurement would increase for the current customers of the thermal energy distribution licence holder and Teplárna Písek, a.s. (referring to Section 27(2)(c) of the law on supported energy sources) was not obliged to buy out renewable heat from the petitioner. The Office therefore rejected the claim.

KLIMA a.s. v Tepelné hospodářství Prachatice s.r.o.

KLIMA a.s. sought thermal energy supply from Tepelné hospodářství Prachatice s.r.o., or the meeting of its obligation to contract and to execute a thermal energy supply agreement (referring to Section 76(1) of the Energy Act). The motion was rejected because the proceedings proved that in this particular case, there was no operable part of the heat distribution equipment through which the heat carrying utility could be supplied to the petitioner and which would ensure economical, safe and reliable thermal energy supply in line with technical and safety regulations; the petitioner also failed to prove that it met the conditions concerning the place, method and date of connection set by the licence holder (conditions under Section 76(1)(c) of the Energy Act).

Společenství pro dům Sochorova 815, 816, 817, Doksy v KOMTERM Čechy, s.r.o.

The petitioner sought the execution of a price agreement for 2014, attached to the thermal energy supply agreement because it did not agree with the thermal energy price hike proposed by the thermal energy supplier. The Office concluded that the respondent was obliged to execute with the petitioner a price agreement for 2014 attached to the thermal energy supply agreement, containing a price that the Office reviewed, in line with its competences, as to meeting the requirements of the relevant price regulations. The motion was only rejected in the part of the immaterial particulars of the price agreement.

A.2 Approval proceedings

Within its statutory competence 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 DSOs in the gas industry), in 2014 the Office concluded with finality 26 approval proceedings, of which 18 in the electricity industry, five in the gas industry and three on the approval of the market operator's commercial terms and conditions.

In 2014, the Office also concluded with finality two sets of administrative proceedings under Section 17(7)(i) of the Energy Act, in which it approved the plan for the development of the electricity transmission system of ČEPS, a.s. for 2013-2022 and the plan for the development of the gas transmission system of NET4GAS, s.r.o. for 2013-2022.

A.3 Proceedings on investments in PCI

In 2014, two sets of administrative proceedings conducted under Article 12 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, for the approval of investments (cross-border cost allocation) in PCI in electricity and gas industries, were concluded with finality.

ČEPS, a.s., as the Czech electricity TSO, filed an application for one PCI in the electricity industry, but it withdrew its application. The administrative proceedings were therefore discontinued by an order.

On the other hand, a joint application for the approval of investment in a gas PCI was filed by NET4GAS, s.r.o., and GAZ-SYSTEM S.A. as the Czech and Polish gas TSOs. In these proceedings the ERO and the Polish regulator (URE) issued coordinated decisions on cross-border cost allocation and on the reflection of these costs in the rates for the project of a bi-directional north-south interconnection between the Czech Republic and Poland (the STORK II interconnecting gas pipeline).

B) Administrative proceedings concluded by the POZE legal department in 2014

B.1 Administrative proceedings

REN Power CZ a.s.

The subject matter of the administrative proceedings was the levying of a fine of CZK 300,000 and the order to pay the legal costs in relation to an administrative offence under Section 91a(1)(a) of the Energy Act, which the company had committed by breaching Section 3(3) of the Energy Act as follows: between 26 July 2012 and 15 August 2012 it carried on business in a generating plant called FVE-Vimperk (generated electricity at this PV and supplied it to the distribution system) without a valid electricity generation licence, and thus received support illegally in that period.

ELPOLS OSTRAVA, s.r.o., BPS HOLANY s.r.o., Mr Jaroslav Spurný, PREDIX BIOPLYN s.r.o., and Tepelné zásobování, a.s.

The subject matter of all of these administrative proceedings was the levying of fines for administrative offences under Section 91(1)(e) of the Energy Act, which the companies had committed by breaching Section 15a of the Energy Act as follows: despite repeated requests they failed to provide, within the set time limits, the Office with the required information that the Office repeatedly requested in requests for information provision under Section 15a of the Energy Act.

B.2 Adversarial proceedings

COMMERCIAL SERVICE K+K, s.r.o.

These proceedings concerned the acknowledgement of the amount of the green premium and the imposition of an obligation on OTE, a.s. to pay the petitioner CZK 24,022.57. In the proceedings it was proved that the petitioner did not have such right, and the claim was therefore rejected.

Mr Jan Vrátný

These proceedings concerned the petitioner's motion for imposing an obligation on ČEZ Prodej, s.r.o. to pay the petitioner the difference between the feed-in tariff and the green premium; subsidiarily, for changing the existing controversial agreement by revoking Article IV(3). In the proceedings it was proved that the petitioner did not have such right and the claim was therefore rejected.

MY DVA 4 LES s.r.o., and Ravikon a.s.

Both of these proceedings concerned a dispute over the payment of support for renewable electricity generation in plants using solar radiation. The petitioner argued that it had the right to a higher (different) feed-in tariff than the one set out in the relevant price decision laying down support for supported energy sources. It was proved in these proceedings that the petitioner did not have such right, and the two claims were therefore rejected.

C) Proceedings under the law on free access to information

The Office provides 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:

Mrs Petra Stupková

The Office dismissed a request for the provision of information concerning details about the capacity of the various plants for electricity generation from solar radiation.

Hydrofoce s.r.o.

The Office dismissed a request for the provision of information by way of an explanation of the scheme for RES support.

Mr Jan Smejkal

The Office dismissed a request for the provision of information by way of a legal analysis.

Mr Petr Orct

The Office dismissed a request for the provision of information by way of copies of documents concerning personnel matters.

Dvořák Hager & Partners, advokátní kancelář s.r.o.

The Office dismissed a request for the provision of information concerning an explanation of the scheme for feed-in tariffs and annual green premiums in support of RES electricity.

Bohemia Energy entity s.r.o.

The Office dismissed a request for the provision of information in the form of a copy of a third party's complaints.

Mr Jiří Svoboda

The Office dismissed a request for the provision of information in the form of a legal interpretation of a price decision.

Mr Roman Mikula

The Office dismissed a request for the provision of information, the subject matter of which was documents for e-auction analysis.

SAKO Brno, a.s., Pražské služby, a.s., and TERMIZO a.s.

The Office dismissed a request for the provision of information concerning opinions on comparisons of price decisions.

Mr Eduard Klobouček

The Office dismissed a request for the provision of information concerning potential licensing procedures.

Mr Petr Lidinský

The Office dismissed a request for the provision of information, whereby the applicant asked the Office to fill in a questionnaire, including the provision of the relevant documents.

CZ Biom – České sdružení pro biomasu, z.s.

The Office dismissed a request for the provision of information concerning the formulae and input values for calculating support for energy generation from RES.

Advokátní kancelář Šikola a partneři, s.r.o.

The Office dismissed a request for the provision of information related to documents for calculating support for biomass and biogas.

D) Remonstrance proceedings in 2014

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.

ERO Chairwoman's remonstrance commission considered 100 remonstrances in 2014. In six cases, the party withdrew the remonstrance before the consideration thereof and delivery of a decision thereon. By the end of 2014, decisions had not been delivered on 21 remonstrances considered by the ERO Chairwoman's remonstrance commission in 2014.

On the basis of consideration in the remonstrance commission in 2014, 77 decisions were delivered; in one case the proceedings were concluded otherwise than by a decision on the remonstrance. In 2014, ERO Chairwoman also delivered six decisions on remonstrances that had been considered by the remonstrance commission in 2013.

ERO Chairwoman delivered 83 decisions on remonstrances in 2014.

D.1 DECISIONS ON REMONSTRANCES DELIVERED IN 2014

Remonstrances filed against decisions delivered in adversarial proceedings.

D.1.1 The electricity industry**FVE Semanín Czech Republic s.r.o. v ČEZ Prodej, s.r.o.**

In adversarial proceedings under Section 52(1) of the law on supported energy sources, the Office decided, in a separate decision, on the petitioner's obligation to pay the legal costs of ČEZ Prodej, s.r.o. Both the petitioner and the respondent filed remonstrance against this decision. ERO Chairwoman rejected both of them and upheld the challenged decisions.

PQS energo, s.r.o.

Under Section 43(1)(b) of the Rules of Administrative Procedure, the Office did not examine the submission of PQS energo, s.r.o. whereby it sought an obligation to be imposed on ČEZ Distribuce, a. s. to refrain from setting up a new supply point. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged order.

LDS Sever, spol. s r.o.

In administrative proceedings under Section 52(2) of the law on supported energy sources the Office required the respondent, upon a motion of OTE, a.s., to pay CZK 2,557,072.02 plus late charges. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

GENERIN s.r.o.

In adversarial proceedings under Section 52(1) of the law on supported energy sources, the Office rejected the petitioner's motion in a dispute with ČEZ Distribuce, a.s. and ČEZ Prodej, s.r.o. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mr Ondřej Ullrich

The petitioner filed motions for two sets of adversarial proceedings under Section 52(1) of the law on supported energy sources in a dispute with OTE, a.s. and PREDistribuce, a.s. over the amount of the green premium, and the Office rejected both motions. ERO Chairwoman rejected the petitioner's remonstrance and upheld both of the challenged decisions.

Mr Jaroslav Halama

The Office discontinued the administrative proceedings under Section 17(7)(e), point 1, of the Energy Act, initiated by Jaroslav Halama against BOHEMIA ENERGY entity s.r.o. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mrs Milena Tomková

In administrative proceedings under Section 17(7)(a) of the Energy Act, the Office rejected the petitioner's motion in a dispute with REDistribuce, a.s. and Pražská energetika, a.s. over illegal electricity consumption. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

PH KOVO - RECYCLING CHEB, s.r.o.

In adversarial proceedings under Section 52(1) of the law on supported energy sources, the Office rejected the petitioner's motion in a dispute with OTE, a.s. over the amount of the green premium. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

OTE, a.s.

In adversarial proceedings under Section 52(2) of the law on supported energy sources, the Office rejected the petitioner's motion in a dispute with E.ON Distribuce, a.s. over the payment of an amount equalling the amount covering the costs incurred in support for electricity generation and distributed electricity generation. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

ČEZ Distribuce, a. s.

In adversarial proceedings under Section 52 of the law on supported energy sources, the Office granted the motion of Expert Distribution, s.r.o., deciding that the petitioner did not have the right to bill the company for the contribution to cover the costs incurred in support for electricity generation in relation to electricity not supplied to the distribution system. On the basis of the respondent's remonstrance ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mr Martin Votruba

The Office discontinued an adversarial proceeding under Section 52 of the law on supported energy sources on the petitioner's motion for the payment of the difference between the feed-in tariff and the green premium, against ČEZ Prodej, s.r.o. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged order.

Mr Martin Myška

The Office discontinued an adversarial proceeding under Section 52 of the law on supported energy sources on the petitioner's motion for the payment of the difference between the feed-in tariff and the green premium, against ČEZ Prodej, s.r.o. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged order.

ČEZ Prodej, s.r.o.

In administrative proceedings under Section 17(7)(e), point 2, of the Energy Act, the Office decided, upon Mr Otakar Kemr's motion, in a case of the emergence of a legal relationship on electricity supply and distribution. ERO Chairwoman rejected the respondent's remonstrance and upheld the challenged decision.

Jednota, spotřební družstvo

Under Section 66(1)(b) of the Rules of Administrative Procedure, the Office discontinued a part of the administrative proceedings on electricity supply billing. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged order.

TOMA, a.s.

In a dispute under Section 17(7)(d) of the Energy Act, the Office rejected the petitioner's motion for the payment of the green premium and contribution for combined heat and power generation, against OTE, a.s. and E.ON Distribuce, a.s. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mr Jan Vrátný

In administrative proceedings under Section 17(7)(d) of the Energy Act, the Office rejected the petitioner's motion in a dispute with ČEZ Prodej, s.r.o. over the payment of the difference between the feed-in tariff and the green premium. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

STAEL, s.r.o.

The Office rejected the petitioner's motion in a dispute with OTE, a.s. and ČEZ Prodej, s.r.o. over the amount of the electricity feed-in tariff. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Šlapanská elektrárenská s.r.o.

In administrative proceedings under Section 17(7)(c) of the Energy Act, the Office rejected the petitioner's motion for an obligation to be imposed on ČEZ Distribuce, a. s. to connect a generating plant to the distribution system. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

PROTECO AGRO s.r.o.

The Office rejected the petitioner's motion in a dispute with OTE, a.s. and ČEZ Prodej, s.r.o. over the amount of the electricity feed-in tariff. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Mr Josef Šmoldas

In administrative proceedings on the petitioner's motion against ČEZ Distribuce, a. s. and ČEZ Prodej, s.r.o., ERO Chairwoman rejected the petitioner's remonstrance against the decision on non-waiver of the lapse of time for filing the remonstrance.

She subsequently rejected the petitioner's remonstrance against the decision on the merits as filed too late.

D.1.2 The gas industry

Mr Miroslav Prošek

Under Section 43(1)(b) of the Rules of Administrative Procedure the Office did not examine a part of the petitioner's submission seeking compensation for damage caused by an unlawful interruption in gas supply. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged order.

Mrs Karmen Sandova Mihaylova

In adversarial proceedings under Section 17(7)(e), point 1, of the Energy Act, the Office rejected the petitioner's motion in a dispute with Pražská plynárenská, a.s. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

D.1.3 The heating industry

KLIMA a.s.

In administrative proceedings under Section 17(7)(a) of the Energy Act, the Office rejected the petitioner's motion for an agreement on thermal energy supply to be executed with Tepelné hospodářství Prachatice s.r.o. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Dalkia Česká republika, a.s.

In administrative proceedings under Section 17(7)(a) of the Energy Act, the Office required the respondent to execute an agreement on thermal energy supply with Společenství pro dům č.p. 772, Praha 9–Hostavice. ERO Chairwoman rejected the respondent's remonstrance and upheld the challenged decision.

KOMTERM Čechy, s.r.o.

In administrative proceedings under Section 52(1) of the law on supported energy sources, the Office rejected the petitioner's motion in a dispute with Teplárna Písek, a.s. over the execution of an agreement on mandatory buyout of thermal energy. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Společenství pro dům č.p. 1106-1110 v ulici Mařákova v Litomyšli

In administrative proceedings under Section 17(7)(a) of the Energy Act, the Office rejected the petitioner's motion against DS TEPLŮ, s.r.o. for the execution of an agreement on thermal energy supply. ERO Chairwoman rejected the petitioner's remonstrance and upheld the challenged decision.

Remonstrances against decisions delivered in administrative proceedings under directly applicable EU legislation

NET4GAS, s.r.o.

In administrative proceedings under Article 12 of Regulation (EU) 347/2013, the Office decided on a joint application of NET4GAS, s.r.o. and GAZ-SYSTEM S.A. On the basis of remonstrance filed by NET4GAS, s.r.o., ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

The applicant filed remonstrance again to contest the new decision on the matter. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged decision.

Remonstrances against decisions on administrative offences

ADMINISTRATIVE OFFENCES UNDER THE ENERGY ACT

Mr Jiří Vašíček

The Office levied a fine of CZK 8,000 on the party for an administrative offence under Section 91a(1) (m) of the Energy Act. ERO Chairwoman rejected the party's remonstrance as filed too late.

Podzimní LB s.r.o.

ERO Chairwoman examined the party's remonstrance against the State Energy Inspectorate's decision to levy a fine for an administrative offence under Section 91(4) of the Energy Act, after an administrative court had reversed the decision on the remonstrance. ERO Chairwoman reversed the State Energy Inspectorate's decision and discontinued the administrative proceedings.

KVOS economy s.r.o.

ERO Chairwoman examined the party's remonstrance against the State Energy Inspectorate's decision to levy a fine for an administrative offence under Section 91(7) of the Energy Act, after an administrative court had reversed the decision on the remonstrance. ERO Chairwoman reversed the State Energy Inspectorate's decision and remanded the case for reconsideration.

Tepelné hospodářství města Ústí nad Labem s.r.o.

ERO Chairwoman again examined the party's remonstrance against the decision to levy a fine of CZK 200,000 for an administrative offence under Section 91(12)(b) of the Energy Act, after an administrative court had reversed the decision on the remonstrance, and decided to reverse the challenged decision and remand the case for reconsideration.

AMIS – Tepelná technika, spol. s r.o.

The Office levied a fine of CZK 15,000 on the party for an administrative offence under Section 91(12)(d) of the Energy Act. ERO Chairwoman rejected the party's remonstrance as filed too late.

E.ON Distribuce, a.s.

The Office levied a fine of CZK 1,000,000 on the party for an administrative offence under Section 91(1)(c) of the Energy Act. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

ADMINISTRATIVE OFFENCES UNDER THE ACT ON PRICES

TEPLO Rumburk, s.r.o.

The Office levied a fine of CZK 7,758,085 on the party together with a remedial measure for an administrative offence under Section 16(1)(d) of the law on prices. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

BM servis a.s.

The Office levied a fine of CZK 60,000 on the party for administrative offences under Section 16(1) (d) of the law on prices and Section 91(1)(c) of the Energy Act. ERO Chairwoman upheld the challenged decision further to the party's remonstrance.

Jablonecká energetická a.s.

The Office levied a fine of CZK 440,117 on the party for an administrative offence under Section 16(1)(d) of the law on prices. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Asset Management of the City of Fulnek

The Office levied a fine of CZK 100,000 on the party together with a remedial measure for an administrative offence under Section 16(1)(d) of the law on prices. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

LENOXA a.s.

ERO Chairwoman examined the party's remonstrance against the decision of the State Energy Inspectorate to levy a fine of CZK 955,890 for an administrative offence under Section 15(1)(c) of the law on prices after an administrative court had reversed the decision on the remonstrance. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

LENOXA a.s.

ERO Chairwoman examined the party's remonstrance against the decision of the State Energy Inspectorate to levy a fine of CZK 2,173,379 for an administrative offence under Section 15(1)(c) of the law on prices after an administrative court had reversed the decision on the remonstrance. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

TEPLO Rumburk, s.r.o.

The Office levied a fine of CZK 800,000 on the party together with a remedial measure for an administrative offence under Section 16(1)(d) of the law on prices. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

GAS KOMPLET s.r.o.

The Office levied a fine of CZK 40,000 on the party for an administrative offence under Section 16(1)(d) of the law on prices. ERO Chairwoman upheld the challenged decision and rejected the party's remonstrance.

RIVER DIAMOND

The Office decided in its order that the applicant was not a party to the administrative proceedings with Dalkia Česká republika, a.s. on a possible violation of the law on prices. ERO Chairwoman upheld the challenged decision and rejected the remonstrance.

DISTEP a.s.

The Office levied a fine of CZK 3,669,393.95 on the party together with a remedial measure for an administrative offence under Section 16(1)(d) of the law on prices. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Teplárna Liberec, a.s.

ERO Chairwoman examined the party's remonstrance against the State Energy Inspectorate's decision to levy a fine of CZK 700,000 for an administrative offence under Section 15(1)(c) of the law on prices after the decision on the remonstrance had been reversed by an administrative court. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

SATT, a.s.

The Office levied a fine of CZK 2,600,000 on the party together with a remedial measure for an administrative offence under Section 16(1)(d) of the law on prices. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

ADMINISTRATIVE OFFENCES UNDER THE ACT ON CONSUMER PROTECTION**ČEZ Prodej, s.r.o.**

The Office levied a fine of CZK 20,000 on the party for an administrative offence under Section 24(1)(a) of the law on consumer protection. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

In the new proceedings, the Office levied a fine of CZK 20,000 on the party for an administrative offence under Section 24(1)(a) of the law on consumer protection. ERO Chairwoman reversed the challenged decision and discontinued the administrative proceedings.

Remonstrances in proceedings under the law on free access to information

Mrs Petra Stupková

The Office dismissed a request for the provision of information, the subject matter of which was to clarify published materials and provide the underlying documents and calculations. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

The Office refused to provide the information during the new hearing. ERO Chairwoman upheld the challenged decision and rejected the applicant's remonstrance.

Aliance pro energetickou soběstačnost, o.s.

The Office dismissed a request for the provision of information concerning calculations of, studies on and communications concerning the design of the feed-in tariff processes. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mr David Havlík

The Office dismissed a request for the provision of information in the form of copies of several documents concerning third parties' licences. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Solar Rybníček s.r.o.

The Office dismissed a request for the provision of information in the form of calculations, expert opinions, correspondence and other documents related to legislative proposals. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mrs Petra Stupková

The Office dismissed a request for the provision of information containing documents and calculations relating to the payback period and published documents. ERO Chairwoman rejected the remonstrance and upheld the challenged decision.

Mr David Havlík

The Office dismissed a request for the provision of information in the form of copies of several documents concerning third parties' licences. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

SAKO Brno, a.s., Pražské služby, a.s., and TERMIZO a.s.

The Office dismissed the requesters' request for an explanation of certain specified points of a price decision. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Aliance pro energetickou soběstačnost, o.s.

ERO Chairwoman again examined the requester's remonstrance against the decision rejecting its request for the provision of certain specified documents from administrative files on licence award, after the original decision had been reversed by an administrative court. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Remonstrances related to licensing

Commexim Group a.s.

Under Section 66(1)(b) of the Rules of Administrative Procedure the Office discontinued the administrative proceedings on the party's application for an amendment to the party's electricity trade licence. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged decision.

MH SOLAR s.r.o.

The Office decided to allow the reopening of the administrative proceedings on the party's application for a licence. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Mr Michael Javora

The party filed remonstrance against the Office's decision on his application for an amendment to the licence. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

The party again filed remonstrance to challenge the decision on licence amendment, delivered during the reconsideration of the matter. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

BFHS Hilfsdienste-und Service Gesellschaft mbH für Industrie, Handel und Haushalte, organizační složka

The Office discontinued the administrative proceedings on the applicant's application for an electricity trade licence. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged decision.

The City of Chodov

After an administrative court reversed the original decision on remonstrance, ERO Chairwoman again examined the remonstrance filed by the City of Chodov against the decision to stay the proceedings on the revocation of the licence of MARSERVIS, s.r.o. On the basis of the party's remonstrance, she reversed the challenged order and remanded the case for reconsideration.

In reconsidering the matter, the Office stayed the administrative proceedings under Section 64(1) (c) of the Rules of Administrative Procedure. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

NOVATEX SK, s.r.o. – organizační složka podniku

The party filed remonstrance against the Office's decision to award an electricity generation licence, on the grounds of contesting the starting date of the licensed activity. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Bioplynka VEPA, s.r.o.

The party filed remonstrance against the order to stay the proceedings on licence award and against the decision on licence award. ERO Chairwoman discontinued the proceedings on the remonstrance against the order, rejected the remonstrance against the decision on licence award and upheld the challenged decision.

Mrs Jana Kvapilová

Under Section 66(1)(b) of the Rules of Administrative Procedure the Office discontinued the administrative proceedings on waiver of a neglected act. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged order.

ENERGO-PRO Czech, s.r.o.

Because of a preliminary question, the Office stayed the administrative proceedings on the applicant's application for an amendment to an electricity generation licence. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged order.

GOLEM Velké Hamry, a.s.

The Office discontinued two sets of administrative proceedings on the applicant's application for an amendment to a licence for thermal energy generation and distribution. ERO Chairwoman rejected both of the applicant's remonstrances and upheld the challenged orders.

Mr Michal Perkacz

In proceedings on licence revocation, the Office ordered the party to produce equipment co-owners' consent to the use of the equipment for the licensed activity. ERO Chairwoman rejected the party's remonstrance and upheld the challenged order.

Mr Luboš Oplatek

Under Section 10(2)(a) of the Energy Act the Office decided to revoke the party's electricity generation licence. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

FialInvest s.r.o.

Upon the applicant's application the Office delivered a decision to amend an electricity generation licence. ERO Chairwoman rejected the applicant's remonstrance and upheld the challenged decision.

MARSERVIS, s.r.o.

The party filed remonstrance to contest ERO Chairwoman's order confirming that certain specified members of the remonstrance commission were not recused from the case for partiality. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

FVE Petrovice a.s.

The Office stayed reopened administrative proceedings on the award of an electricity generation licence in connection with a request under Section 45(2) of the Rules of Administrative Procedure. ERO Chairwoman rejected the party's remonstrance and upheld the challenged order.

Solar Servis CZ s.r.o.

The applicant filed remonstrance to challenge a decision on its application for a change of a decision on licence award. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mr Jaroslav Zbudil

The applicant filed remonstrance to challenge a decision on his application for an electricity generation licence. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

Mrs Jitka Kubínová

The applicant filed remonstrance to challenge a decision on the applicant's application for the revocation of an electricity generation licence. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

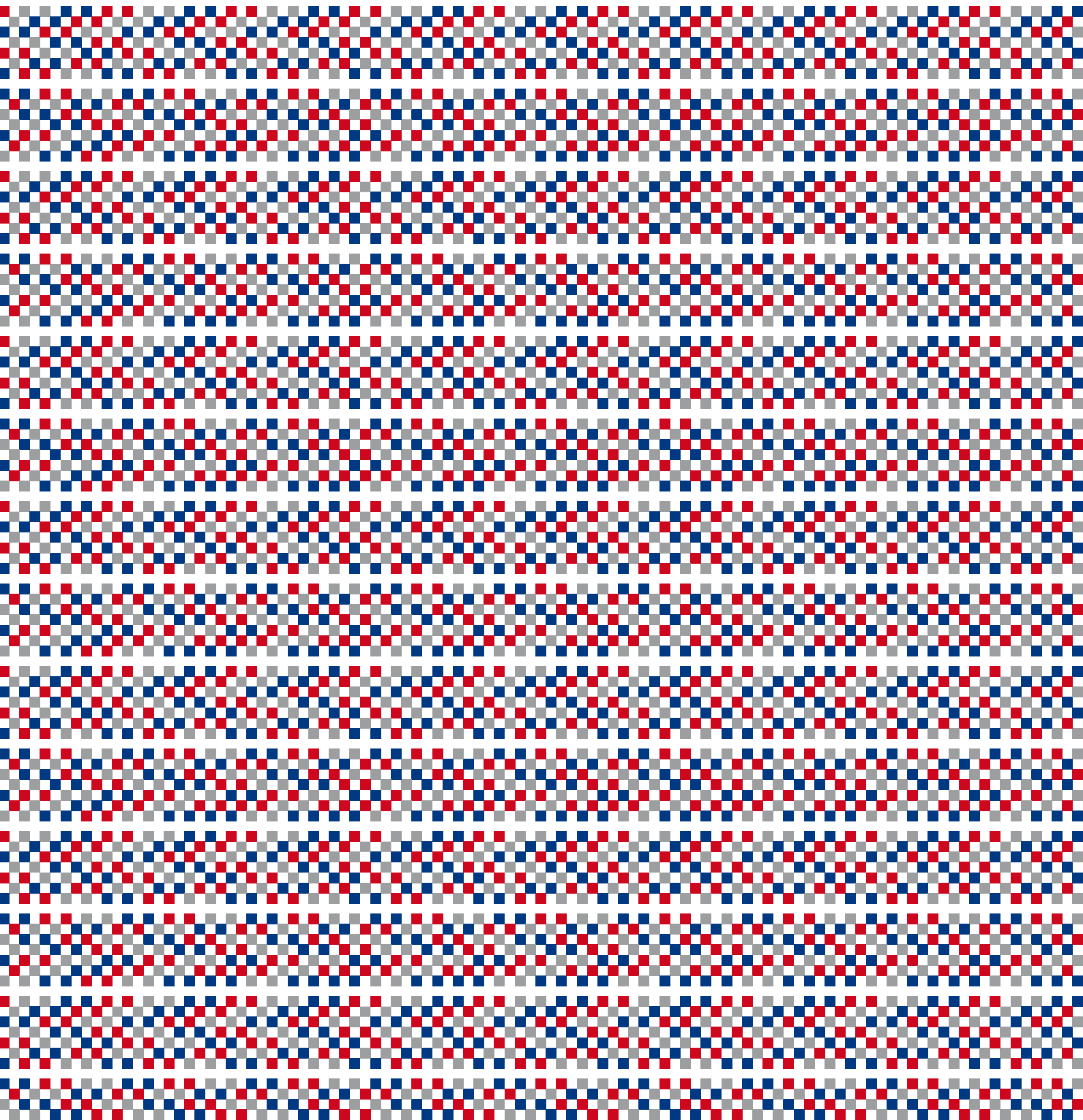
REALSAD, s.r.o.

ERO Chairwoman again examined the applicant's remonstrance against a decision to reject its application for a licence after the original decision on remonstrance had been reversed by an administrative court. ERO Chairwoman reversed the challenged decision and remanded the case for reconsideration.

GA Energo technik s.r.o.

The party filed remonstrance for the Office's decision whereby the Office had revoked, acting *ex officio*, the electricity generation licence of TALPA, s.r.o. ERO Chairwoman rejected the party's remonstrance and upheld the challenged decision.

Appendix 2





Auditor's Report

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 2014

A-CONT, s. r. o., with a registered office at Point 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

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 2014.

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 2014.

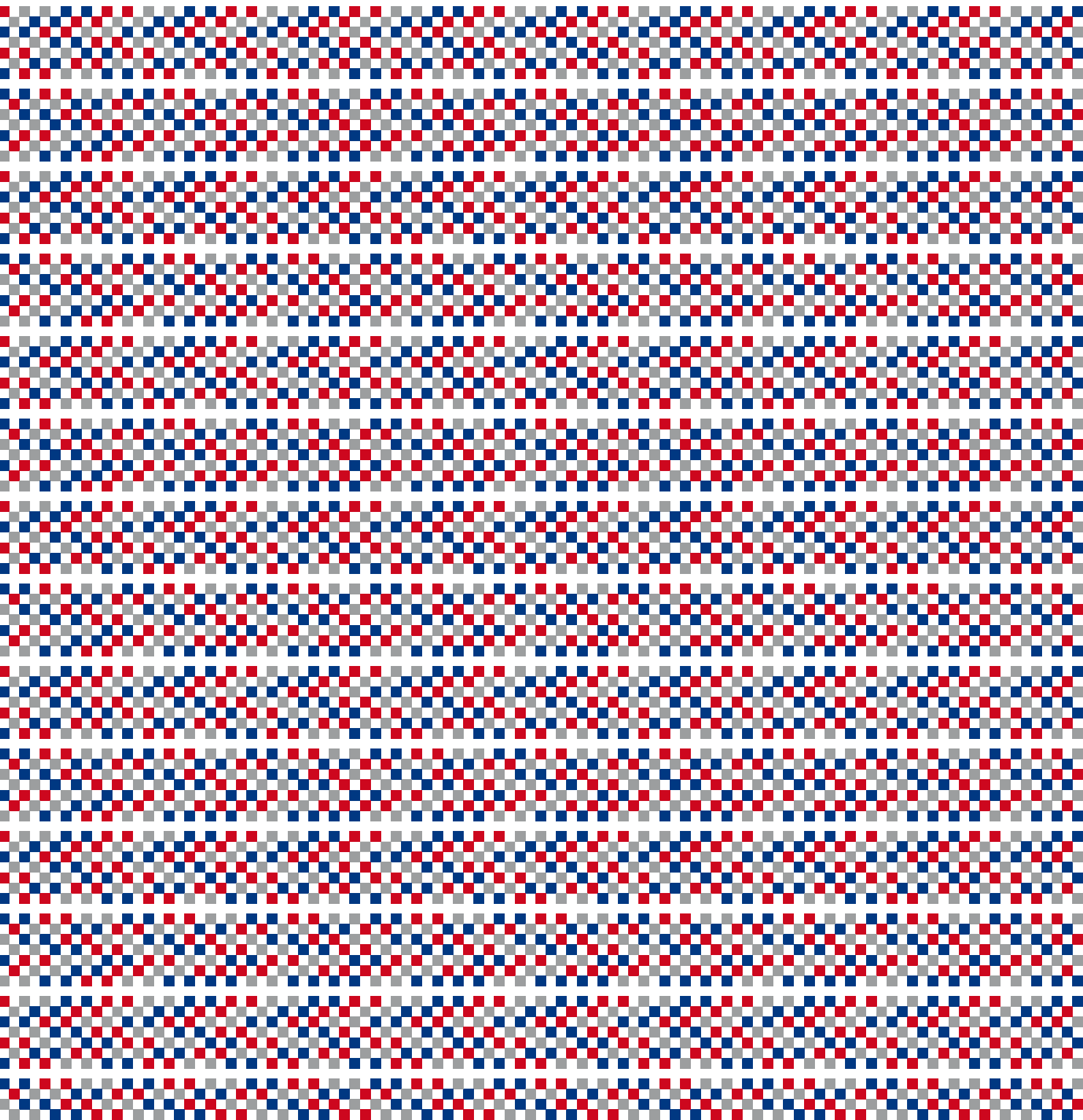


A-CONT, s. r. o., represented by
Ing. Jiří Makaj
Company Executive
Auditor, Certificate No. 1529

Appendices: Balance sheet account

In the town of Jihlava, on February 27, 2015

Appendix 3



Balance Sheet as at 31 December 31 December 2014

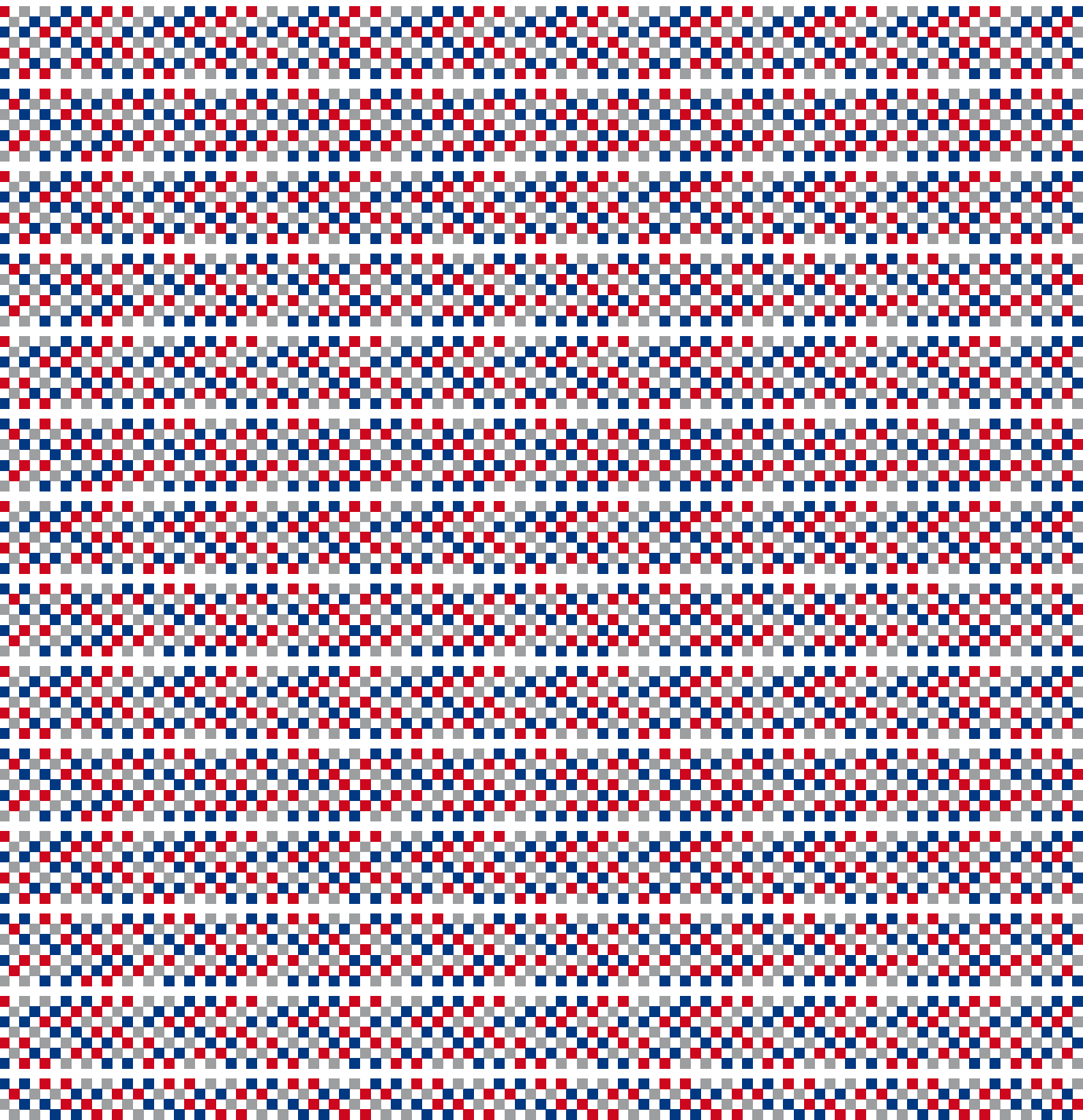
of the State's instrumentalities, self-governing administrative units, semi-autonomous organisations and Regional Councils
(adjusted form, in CZK, two decimal places)

Name of the accounting unit:
Energetický regulační úřad
Masarykovo náměstí 5
586 01 JIHLAVA
Reg. No.: 70894451

Item	Name	Synthetic account	PERIOD		PREVIOUS	
			GROSS	CURRENT ADJUSTMENT		NET
			1	2	3	4
TOTAL ASSETS			262,796,382.03	111,452,083.64	151,344,298.39	152,198,583.11
A. Fixed assets			182,857,821.98	106,370,939.64	76,486,882.34	82,399,788.14
I. Intangible fixed assets			55,477,977.14	44,189,330.16	11,288,646.98	13,397,443.03
1.	Intangible results of R & D	012	0.00	0.00	0.00	0.00
2.	Software	013	47,097,718.34	35,809,071.36	11,288,646.98	13,397,443.03
5.	Low-value intangible fixed assets	018	8,380,258.80	8,380,258.80	0.00	0.00
II. Tangible fixed assets			127,379,844.84	62,181,609.48	65,198,235.36	69,002,345.11
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	6,194,711.00	36,230,497.30	36,735,865.30
4.	Plant and equipment	022	53,770,133.23	28,505,783.17	25,264,350.06	28,563,091.81
6.	Low-value tangible fixed assets	028	27,481,115.31	27,481,115.31	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			79,938,560.05	5,081,144.00	74,857,416.05	69,798,794.97
I. Inventories			276,060.92	0.00	276,060.92	300,651.78
2.	Material in stock	112	276,060.92	0.00	276,060.92	300,651.78
II. Short-term receivables			16,663,486.99	5,081,144.00	11,582,342.99	11,748,980.51
4.	Short-term advances paid	314	1,463,424.00	0.00	1,463,424.00	1,094,727.00
5.	Other receivables, main activity	315	12,425,262.00	5,081,144.00	7,344,118.00	8,172,467.59
9.	Receivables from employees	335	28,023.00	0.00	28,023.00	4,592.00
29.	Prepaid expenses	381	2,746,777.99	0.00	2,746,777.99	2,477,193.92
III. Short-term financial assets			62,999,012.14	0.00	62,999,012.14	7,749,162.68
5.	Other current accounts	245	62,809,046.20	0.00	62,809,046.20	57,665,837.74
10.	FKSP current account	243	189,965.94	0.00	189,965.94	83,324.4

Number	Name	Synthetic account	PERIOD		PREVIOUS
			CURRENT	PREVIOUS	
			1	2	
EQUITY AND LIABILITIES			151,344,298.39	152,198,583.11	
C. Equity			87,747,761.30	93,689,712.74	
I. Accounting unit's capital and adjustment items			65,410,147.94	68,790,571.94	
1.	Accounting unit's capital	401	128,112,995.17	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	0.00	-25,831.00	
7.	Corrections to preceding periods	408	-3,208,127.00	0.00	
II. Accounting unit's funds			189,965.94	83,324.94	
2.	FKSP	412	189,965.94	83,324.94	
III. Result			-51,755,929.23	-65,298,613.57	
1.	Result of current period		13,542,684.34	38,551,383.99	
2.	Result in the approval procedure	431	16,902,873.24	-21,648,510.75	
3.	Result of previous accounting periods	432	-82,201,486.81	-82,201,486.81	
IV. Income and expense account of budget management			73,903,576.65	90,114,429.43	
1.	Income account of the State's instrumentalities	222	-210,284,975.59	-216,799,872.25	
2.	Special expense account	223	194,074,122.81	177,124,950.45	
3.	National budget management account	227	0.00	0.00	
4.	Aggregated income and expense of previous periods	404	90,114,429.43	129,789,351.23	
D. Liabilities			63,596,537.09	58,508,870.37	
I. Provisions			0.00	0.00	
II. Long-term liabilities			45,444,392.14	45,444,392.14	
8.	Other long-term liabilities	459	45,444,392.14	45,444,392.14	
III. Short-term liabilities			18,152,144.95	13,064,478.23	
11.	Other liabilities to employees	333	9,443,911.00	6,798,080.00	
12.	Social security	336	3,931,415.00	3,951,900.00	
13.	Health insurance	337	1,742,987.00	0.00	
14.	Pension savings	338	13,326.00	0.00	
16.	Other direct taxes	342	2,093,309.00	1,332,846.00	
35.	Accrued expenses	383	840,425.89	910,776.63	
38.	Other short-term liabilities	378	86,771.06	70,875.60	

Appendix 4



STATEMENT FOR ASSESSING PERFORMANCE VERSUS BUDGET OF CHAPTER MANAGERS AND THE INSTRUMENTALITIES OF THE STATE AND THE STATE'S FUNDS ESTABLISHED BY THEM

Prepared as at 31 December 2014 - short form - Parts I and II
(in CZK, rounded to two decimal places)

Name and registered office of the accounting entity:
Czech Republic - the Energy Regulatory Office
Masarykovo náměstí 5
586 01 JIHLAVA
Reg. No. [IČO]: 70894451

Period Year	Chapter	Accounting entity	Reg. No.	Value		
12	2014	1349 - Energy Regulatory Office	0894451	in CZK		

Sec. Item Text	Approved budget (AB)		Budget after	Result since the	Drawdown	Drawdown
a b	1		changes (BAC)	beginning of year	on AB, %	on BAC %

I BUDGETED REVENUE						
0000 1361 Administrative fees and charges		985 000.00	985 000.00	6 352 351.00	644.91	644.91
0000 1371 Charge for the ERO's activities	200 482 000.00		200 482 000.00	200 482 005.76	100.00	100.00
0000 2111 Income from the provision of services and products		0.00	0.00	13 598.00	*****	*****
0000 2141 Interest income (a part)		0.00	0.00	5.32	*****	*****
0000 2212 Penalty payments received from other entities	4 500 000.00		4 500 000.00	2 959 234.00	65.76	65.76
0000 2310 Proceeds from sale of current and low-value fixed assets		0.00	0.00	1 104.00	*****	*****
0000 2322 Insurance settlements received		0.00	0.00	43 772.00	*****	*****
0000 2324 Non-capital contributions and compensation received		0.00	0.00	308 103.51	*****	*****
0000 4132 Transfers from other own funds		0.00	0.00	124 802.00	*****	*****
Total:		205 967 000.00	205 967 000.00	210 284 975.59	102.10	102.10

Class Sec. Item Text	Approved budget (AB)		Budget after	Final budget of	Result since the	Drawdown Drawdown
text a b	1		changes (BAC)	expenditure (FB)	beginning of year	on BAC, % on FB, %

II BUDGETED EXPENDITURE AND FINANCING						
BV 2161 5011 Salaries for regular employees	97 260 000.00		97 827 350.00	97 827 350.00	97 827 350.00	100.00 100.00
BV 2161 5014 Salaries*	1 569 000.00		1 569 000.00	1 569 000.00	1 347 253.00	85.87 85.87
BV 2161 5021 Other personnel costs	2 139 960.00		2 139 960.00	2 417 960.00	2 417 960.00	112.99 100.00
BV 2161 5024 Severance pay	0.00		0.00	263 000.00	261 801.00	***** 99.54
BV 2161 5031 Contributions**	25 242 280.00		25 384 118.00	25 453 618.00	25 268 966.00	99.55 99.27
BV 2161 5032 Contributions***	9 087 296.00		9 138 357.00	9 163 357.00	9 158 167.00	100.22 99.94
BV 2161 5132 Protective equipment	20 000.00		55 000.00	55 000.00	35 304.00	64.19 64.19
BV 2161 5136 Books, teaching aids and press	450 000.00		350 000.00	350 000.00	312 041.78	89.15 89.15
BV 2161 5137 Low-value tangible fixed assets	2 350 000.00		3 300 000.00	4 000 000.00	3 014 679.78	91.35 75.37
BV 2161 5139 Material procurement	1 500 000.00		1 420 000.00	1 620 000.00	1 078 479.29	75.95 66.57
BV 2161 5142 Exchange rate differences in expenses	60 000.00		60 000.00	60 000.00	50 604.84	84.34 84.34
BV 2161 5151 Cold water	320 000.00		320 000.00	320 000.00	206 039.12	64.39 64.39
BV 2161 5152 Heat	630 000.00		730 000.00	730 000.00	642 912.03	89.07 89.07
BV 2161 5153 Gas	340 000.00		340 000.00	340 000.00	209 198.00	61.53 61.53
BV 2161 5154 Electric energy	2 250 000.00		2 050 000.00	2 250 000.00	1 572 779.81	76.72 69.90
BV 2161 5156 Fuels and lubricants	1 500 000.00		1 500 000.00	1 500 000.00	1 248 122.77	83.21 83.21
BV 2161 5161 Postal services	450 000.00		385 000.00	385 000.00	190 003.00	49.35 49.35
BV 2161 5162 Telecom and radio communication services	2 600 000.00		2 100 000.00	2 100 000.00	1 548 173.70	73.72 73.72
BV 2161 5163 Financial institutions services	700 000.00		150 000.00	650 000.00	409 399.00	272.93 62.98
BV 2161 5164 Rent	7 860 500.00		3 660 500.00	7 560 500.00	4 172 064.28	113.98 55.18
BV 2161 5166 Consulting, advisory and legal services	10 020 000.00		6 420 000.00	10 020 000.00	5 977 940.05	93.11 59.66
BV 2161 5167 Training and education services	2 500 000.00		2 500 000.00	5 000 000.00	3 759 523.71	150.38 75.19
BV 2161 5168 Data processing and ICT services	0.00		9 900 000.00	9 900 000.00	7 795 405.94	78.74 78.74
BV 2161 5169 Other services procured	22 149 993.00		8 049 993.00	9 649 993.00	6 260 539.08	77.77 64.88
BV 2161 5171 Repair and maintenance	1 680 000.00		1 730 000.00	1 730 000.00	1 027 142.56	59.37 59.37
BV 2161 5172 Software	1 200 000.00		1 900 000.00	1 900 000.00	1 621 670.80	85.35 85.35
BV 2161 5173 Travel costs (domestic and abroad)	4 200 000.00		4 900 000.00	6 100 000.00	5 366 021.85	109.51 87.97
BV 2161 5175 Refreshments	350 000.00		350 000.00	350 000.00	205 072.87	58.59 58.59
BV 2161 5176 Conference fees	300 000.00		300 000.00	300 000.00	213 318.45	71.11 71.11
BV 2161 5179 Other procurement	30 000.00		30 000.00	30 000.00	11 710.00	39.03 39.03
BV 2161 5192 Non-investment contributions provided	50 000.00		230 000.00	230 000.00	228 625.89	99.40 99.40
BV 2161 5194 Non-financial gifts	10 000.00		10 000.00	10 000.00	0.00	0.00 0.00
BV 2161 5196 Contributions****	1 000 000.00		1 000 000.00	1 000 000.00	642 059.62	64.21 64.21
BV 2161 5342 Transfers*****	988 384.00		994 058.00	994 058.00	991 815.00	99.77 99.77
BV 2161 5361 Duty stamps bought	10 000.00		10 000.00	10 000.00	0.00	0.00 0.00
BV 2161 5362 Taxes and charges paid to national budget	40 000.00		40 000.00	40 000.00	37 500.00	93.75 93.75
BV 2161 5424 Wage refund in sickness	380 000.00		380 000.00	380 000.00	286 580.00	75.42 75.42
BV 2161 5429 Other compensations paid to citizens	10 000.00		10 000.00	10 000.00	0.00	0.00 0.00
BV 2161 5511 Transfers*****	850 000.00		930 000.00	930 000.00	888 580.29	95.55 95.55
BV 2161 Activity ⁽¹⁾	202 097 413.00		192 163 336.00	207 198 836.00	186 284 804.51	96.94 89.91

Total current expenditure - Class 5		202 097 413.00	192 163 336.00	207 198 836.00	186 284 804.51	96.94 89.91

KV 2161 6111 Software	3 800 000.00		3 800 000.00	3 800 000.00	3 674 474.00	96.70 96.70
KV 2161 6121 Buildings, halls and structures	700 000.00		640 000.00	640 000.00	0.00	0.00 0.00
KV 2161 6122 Plant and machinery	1 200 000.00		1 200 000.00	1 200 000.00	198 115.70	16.51 16.51
KV 2161 6123 Transport vehicles	2 000 000.00		2 060 000.00	2 060 000.00	0.00	0.00 0.00
KV 2161 6125 IT hardware	6 150 000.00		6 150 000.00	6 150 000.00	3 916 728.60	63.69 63.69
KV 2161 Activity ⁽¹⁾	13 850 000.00		13 850 000.00	13 850 000.00	7 789 318.30	56.24 56.24

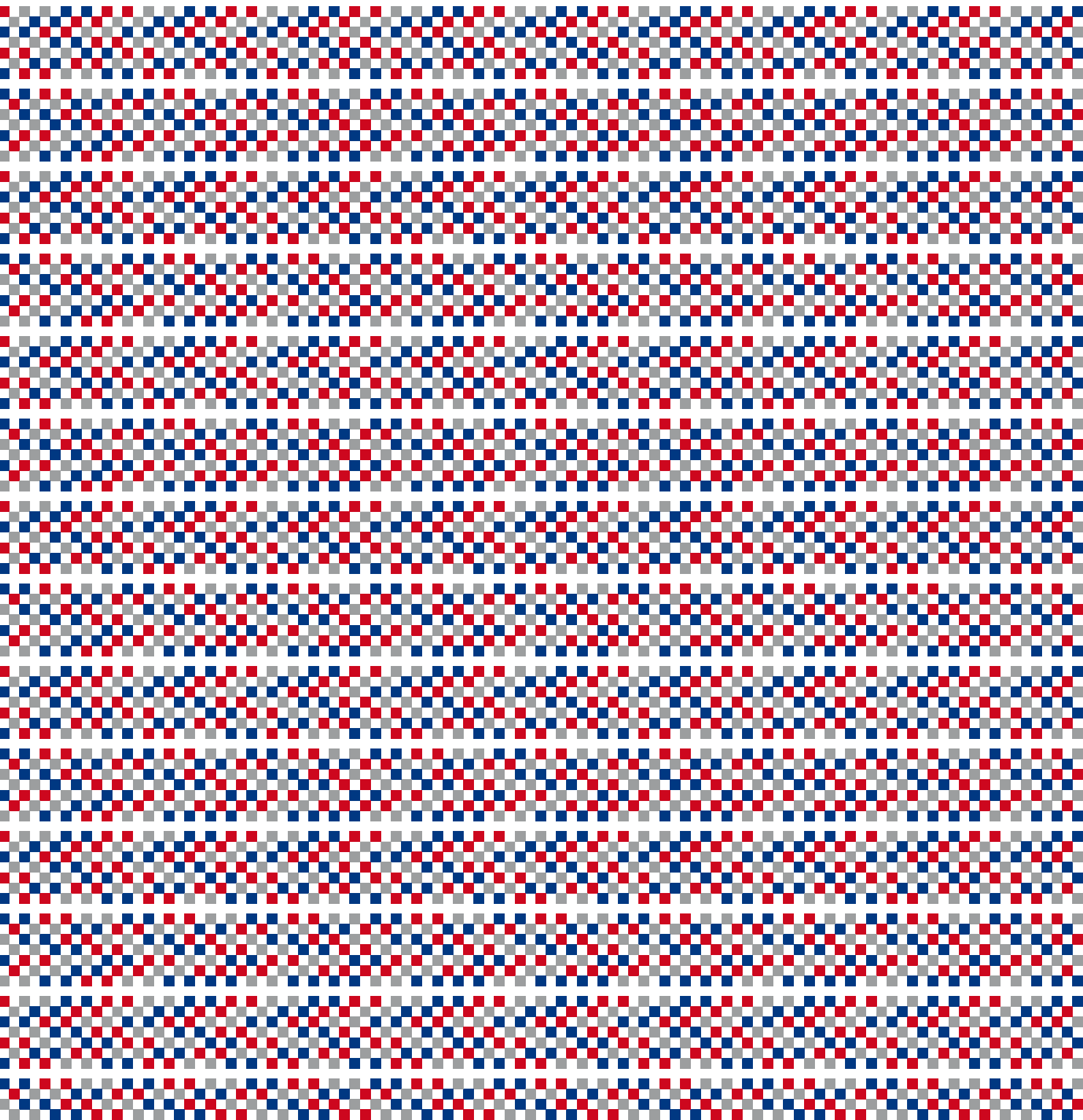
Total capital expenditure - Class 6		13 850 000.00	13 850 000.00	13 850 000.00	7 789 318.30	56.24 56.24

Total:		215 947 413.00	206 013 336.00	221 048 836.00	194 074 122.81	94.20 87.80

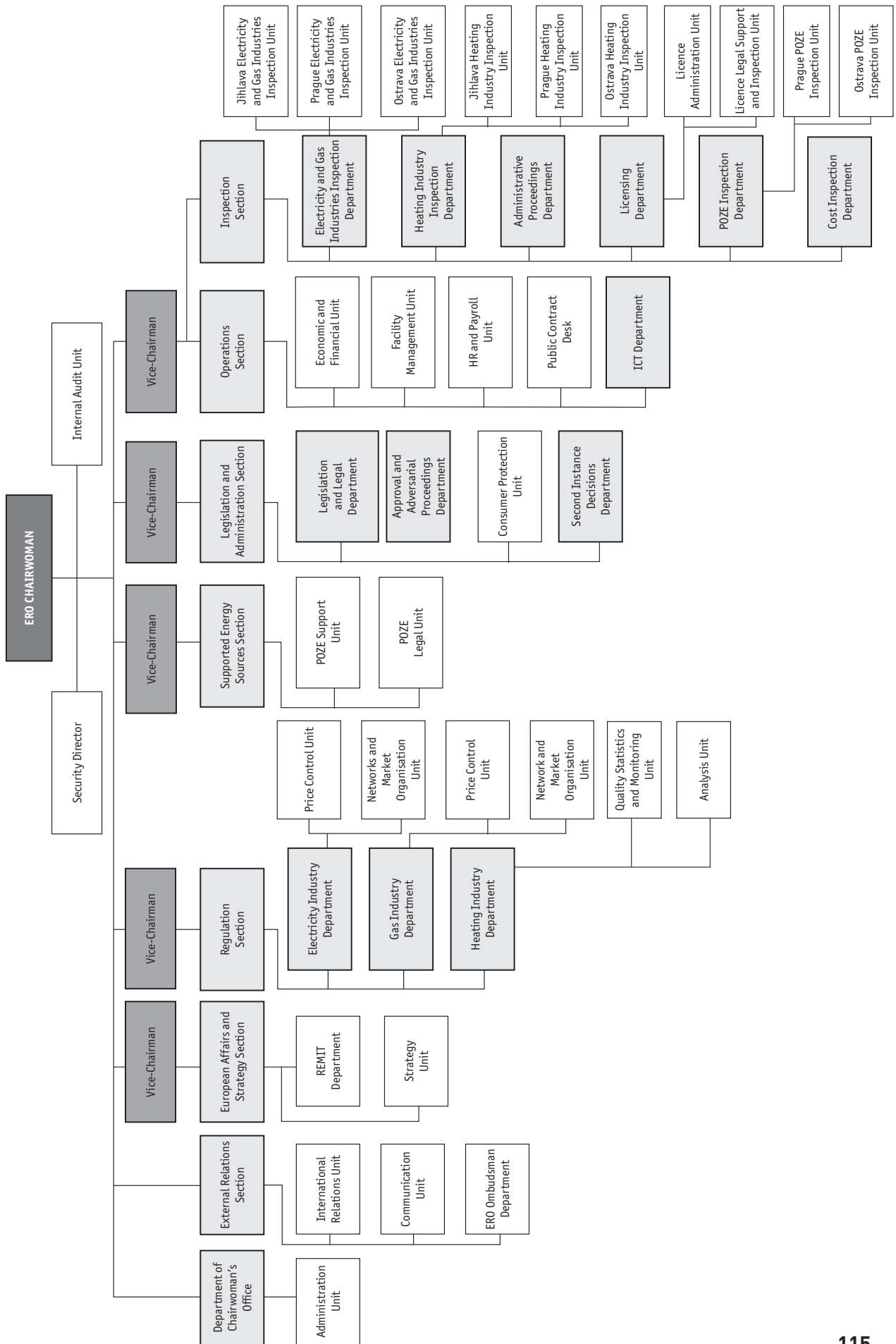
* Salaries for employees derived from salaries of officials named in the Constitution
** Mandatory contributions to social security and to the employment policy
*** Mandatory contributions to public health insurance
**** Refunds and contributions related to the holding of a constitutional office
***** Transfers to the Cultural and Social Fund and social funds of municipalities and regions
***** Transfers of dues to international organisations

⁽¹⁾ Activity of the central state administration authority in the energy sector, industry, construction, trade and services

Appendix 5



Organisational structure of the Energy Regulatory Office as at 31 December 2014



**Report on the Activities and Finances
of the Energy Regulatory Office
for 2014**

Design: © Ditta Jiříčková, 2015
DTP: Metoda, spol. s r.o., Brno, 2015

Energy Regulatory Office

Masarykovo nám. 5

586 01 Jihlava

e-mail: eru@eru.cz

www.eru.cz

