# Energy Regulatory Office Price Decision No. 6/2015

# of 25 November 2015

# on regulated prices related to gas supply

In case of divergence between the original Czech version and this English translation of the Price Decision, the Czech version shall prevail.

Under Section 2c of Act No 265/1991 on the Competences of the Czech Republic's Authorities in the Area of Prices, as amended, under Section 17(6)(d) and Section 17(11) and (12) of Act No 458/2000 on the Conditions for Business and State Administration in the Energy Industries and Amending Certain Laws ("the Energy Act"), as amended, and under public notice no. 195/2015 on methods of price regulation and procedures for price control in the gas industry, and under public notice 196/2015 on methods of price regulation and procedures for regulating the prices for the market operator's activities in the electricity and gas industries, the Energy Regulatory Office ['ERO'] hereby issues its Price Decision on regulated prices related to gas supply.

Operators of distribution systems to which 90,000 or more supply points of customers are connected:

E.ON Distribuce, a.s., Company No. [IČ]: 28085400, having its registered office at F. A. Gerstnera 2151/6, České Budějovice ("E.OND")

Pražská plynárenská Distribuce, a.s., member of the Pražská plynárenská, a.s. Group, Company No. [IČ]: 27403505, having its registered office at U Plynárny 500/44, Praha 4 ("PPD")

RWE GasNet, s.r.o., Company No. [IČ]: 27295567, having its registered office at Klíšská 940, Ústí nad Labem ("RWE GasNet")

## I. Charges for gas transmission services, for distribution system services and for the market operator's activities

### 1. Charges for gas transmission services

The following fixed prices and conditions shall apply to the gas transmission service provided by the transmission system operator:

1.1. Charges for the gas transmission service for the border points of the gas transmission system

1.1.1. The fixed annual charge for booked firm transmission capacity, $\mathbf{C_r}$ in CZK/MWh/d, and the fixed charge for transported gas, $\mathbf{C_{rkom}}$ in CZK/MWh, for

1.1.1.1. the entry border points of the transmission system:

| Entry point name | Fixed annual charge for booked firm transmission capacity $C_r$ in CZK/MWh/d | Fixed charge for transported gas, $C_{rkom}$ in CZK/MWh |
|---|---|---|
| Lanžhot border point | 753.46 | 0 |
| Lanžhot - Mokrý Háj border point | 753.46 | 0 |
| Waidhaus border point | 753.46 | 0 |
| Hora Svaté Kateřiny – Olbernhau border point | 753.46 | 0 |
| Hora Svaté Kateřiny – Sayda border point | 753.46 | 0 |
| Hora Svaté Kateřiny – Brandov border point | 753.46 | 0 |
| Český Těšín border point | 753.46 | 0 |

1.1.1.2. the exit border points of the transmission system:

| Exit point name | Fixed annual charge for booked firm transmission capacity $C_r$ in CZK/MWh/d | Fixed charge for transported gas, $C_{rkom}$ in CZK/MWh |
|---|---|---|
| Lanžhot border point | 4,044.07 | $0.0077 \times C_{NCG}$ |
| Lanžhot - Mokrý Háj border point | 4,044.07 | $0.0077 \times C_{NCG}$ |
| Waidhaus border point | 4,675.31 | $0.0077 \times C_{NCG}$ |
| Hora Svaté Kateřiny – Olbernhau border point | 4,701.49 | $0.0077 \times C_{NCG}$ |
| Hora Svaté Kateřiny – Sayda border point | 4,704.21 | $0.0077 \times C_{NCG}$ |
| Hora Svaté Kateřiny – Brandov border point | 4,701.49 | $0.0077 \times C_{NCG}$ |
| Český Těšín border point | 4,675.31 | $0.0077 \times C_{NCG}$ |

| RWE GasNet | Double-component price | | |
|---|---|---|---|
| **Adjusted annual off-take at the supply point in the band over – to, inclusive, in MWh/year** | **The fixed charge for distributed gas in CZK/MWh** | **The fixed annual charge for daily booked firm distribution capacity $C_{rd}$, in CZK/1,000 m$^3$** | **Standing monthly charge for available capacity, in CZK** |
| over 63 | 120.73 | 113,387.80 | x |
| 45 to 63 | 138.76 | x | 316.40 |
| 25 to 45 | 171.05 | x | 195.33 |
| 15 to 25 | 198.23 | x | 138.70 |
| 7.56 to 15 | 217.23 | x | 114.94 |
| 1.89 to 7.56 | 241.27 | x | 99.80 |
| 0 to 1.89 | 442.39 | x | 68.12 |

| ENERGIE CZ s.r.o. | Double-component price | | |
|---|---|---|---|
| **Adjusted annual off-take at the supply point in the band over – to, inclusive, in MWh/year** | **The fixed charge for distributed gas in CZK/MWh** | **The fixed annual charge for daily booked firm distribution capacity $C_{rd}$, in CZK/1,000 m$^3$** | **Standing monthly charge for available capacity, in CZK** |
| over 63 | 242.32 | 186,047.13 | x |
| 45 to 63 | 260.35 | x | 570.92 |
| 25 to 45 | 292.64 | x | 374.99 |
| 15 to 25 | 319.82 | x | 243.50 |
| 0 to 15 | 362.86 | x | 124.75 |

| Energy Ústí nad Labem, a.s. | Double-component price | | |
|---|---|---|---|
| **Adjusted annual off-take at the supply point in the band over – to, inclusive, in MWh/year** | **The fixed charge for distributed gas in CZK/MWh** | **The fixed annual charge for daily booked firm distribution capacity $C_{rd}$, in CZK/1,000 m$^3$** | **Standing monthly charge for available capacity, in CZK** |
| over 63 | 137.49 | 123,402.81 | x |
| 45 to 63 | 138.76 | x | 316.40 |
| 25 to 45 | 171.05 | x | 195.33 |
| 15 to 25 | 198.23 | x | 138.70 |
| 7.56 to 15 | 217.23 | x | 114.94 |
| 1.89 to 7.56 | 241.27 | x | 99.80 |
| 0 to 1.89 | 442.39 | x | 68.12 |

| Petr Hurta, licence č. 220102855 | Double-component price | | |
|---|---|---|---|
| **Adjusted annual off-take at the supply point in the band over – to, inclusive, in MWh/year** | **The fixed charge for distributed gas in CZK/MWh** | **The fixed annual charge for daily booked firm distribution capacity $C_{rd}$, in CZK/1,000 m³** | **Standing monthly charge for available capacity, in CZK** |
| over 63 | 610.42 | 406,013.57 | x |
| 45 to 63 | 628.45 | x | 1,321.37 |
| 25 to 45 | 660.74 | x | 949.05 |
| 0 to 25 | 687.92 | x | 540.69 |

| QUANTUM, a.s. | Double-component price | | |
|---|---|---|---|
| **Adjusted annual off-take at the supply point in the band over – to, inclusive, in MWh/year** | **The fixed charge for distributed gas in CZK/MWh** | **The fixed annual charge for daily booked firm distribution capacity $C_{rd}$, in CZK/1,000 m³** | **Standing monthly charge for available capacity, in CZK** |
| over 63 | 190.99 | 155,372.77 | x |
| 45 to 63 | 209.02 | x | 461.05 |
| 25 to 45 | 241.31 | x | 286.74 |
| 15 to 25 | 268.49 | x | 194.84 |
| 7.56 to 15 | 287.49 | x | 138.17 |
| 1.89 to 7.56 | 311.53 | x | 109.23 |
| 0 to 1.89 | 512.65 | x | 70.06 |

| VLČEK Josef – elektro s.r.o. | Double-component price | | |
|---|---|---|---|
| **Adjusted annual off-take at the supply point in the band over – to, inclusive, in MWh/year** | **The fixed charge for distributed gas in CZK/MWh** | **The fixed annual charge for daily booked firm distribution capacity $C_{rd}$, in CZK/1,000 m³** | **Standing monthly charge for available capacity, in CZK** |
| over 63 | 169.19 | 156,032.86 | x |
| 45 to 63 | 206.03 | x | 343.87 |
| 25 to 45 | 215.32 | x | 271.18 |
| 15 to 25 | 253.91 | x | 164.14 |
| 7.56 to 15 | 264.56 | x | 126.94 |
| 1.89 to 7.56 | 285.91 | x | 94.39 |
| 0 – 1.89 | 454.36 | x | 64.87 |

14.1.5. The customer's supply point at which gas consumption equipment is connected to the intermediate pressure part or low pressure part of the distribution system shall be regarded as the supply point at which the gas consumption equipment is connected to the local network.

14.1.6. For 2016, the charge for the distribution system service under point 14.1.1 shall be used for customers' supply points at which annual readings were taken in 2015.

14.1.7. For 2016, the charge for the distribution system service under point 14.1.2 shall be used for customers' supply points at which proper monthly readings were taken in 2015.

14.1.8. Customers' supply points, with the exception of the household category, at which annual readings were taken in 2015 and at which annual off-take or adjusted annual gas consumption exceeded 630 MWh, can request the determination of the charge for the distribution system service under point **Chyba! Nenalezen zdroj odkazů.**. If a customer requests the determination of the charge for the distribution system service under point **Chyba! Nenalezen zdroj odkazů.** the distribution system operator shall bill this charge from the first day of the month following receipt of the request. Consumption at customers' supply points for which a price under point **Chyba! Nenalezen zdroj odkazů.** has been determined shall be billed on a monthly basis.

For a customer's supply point, with the exception of the household category, whose adjusted annual consumption was greater than 760 MWh throughout the preceding three-year period and whose price was determined under point 14.1.1, a price under point 14.1.2 has been determined for 2016. The distribution system operator shall notify the customer of this change within 28 days from the last meter reading and bill using this price no later than from the first day of the month following the passage of 28 days from the notification.

14.1.9. For customers' supply points at which proper monthly readings were taken in 2015 and whose annual off-take was lower than or equal to 630 MWh in 2015, the customer can request the determination of the charge for the distribution system service under point **Chyba! Nenalezen zdroj odkazů.** with annual billing. If a customer requests the determination of the charge for the distribution system service under point **Chyba! Nenalezen zdroj odkazů.** the distribution system operator shall bill this charge from the first day of the month following receipt of the request.

For a customer's supply point whose adjusted annual consumption was lower than 500 MWh throughout the preceding three-year period and whose price was determined under point 14.1.2, a price under point 14.1.1 has been determined for 2016. The distribution system operator shall notify the customer of this change within 28 days from the reading for December and bill using this price no later than from the first day of the month following the passage of 28 days from the notification.

14.7. Booking of daily firm distribution capacity for an indefinite period of time in the amount of the historically achieved daily maximum

14.7.1. For the distribution system service to the supply points of customers with type A or B metering, for which the price is determined under point 14.1.2, the customers can book daily firm distribution capacity for an indefinite period of time in the amount of the historically achieved daily maximum.

14.7.2. The daily firm distribution capacity for an indefinite period of time in the amount of the historically achieved daily maximum is the maximum value of all daily gas off-takes in the relevant period from 1 October 2012 to 30 September 2015. If the customer took gas for only a part of the relevant period the known maximum value of all daily off-takes in the period commencing no later than on 1 October 2014 shall be used.

14.7.3. Customers for whose supply points the data for the relevant period under point 14.7.2 is not known can book capacity under point 14.7.1 no earlier than after 12 calendar months from the end of distribution system service in trial operation or, if not using distribution system service in trial operation, after 12 calendar months from the beginning of gas off-take with type A or B metering. In such a case, the relevant period shall be 12 calendar months prior to capacity booking under point 14.7.1.

14.7.4. After 12 calendar months from capacity booking under point 14.7.1, the distribution system operator shall change the amount of booked capacity under point 14.7.1 depending on the change of the relevant period.

14.7.5. For the distribution system service to supply points of customers with booked capacity under point 14.7.1, fixed charges $\mathbf{C_{kom}}$ in CZK/MWh under point **Chyba! Nenalezen zdroj odkazů.** and fixed charges **CK** in CZK/1,000m$^3$ under point **Chyba! Nenalezen zdroj odkazů.**, where the coefficient **a** is increased by 5%, shall apply.

14.7.6. In the case of exceeding booked capacity under point 14.7.1, the charge for such overstepping under point **Chyba! Nenalezen zdroj odkazů.** shall not be billed to the customer.

14.8. The minimum charge for daily booked firm and interruptible distribution capacity, if the customer books interruptible distribution capacity, is

**CZK 40,000/1,000 m$^3$**

14.9. For the customer's supply point at which daily booked firm and interruptible distribution capacity, if the customer books interruptible distribution capacity, is lower than 519 m$^3$/day, the fixed annual charge for daily booked firm or interruptible distribution capacity, **CK**, equals the fixed charge for daily booked firm or interruptible distribution capacity amounting to 519 m$^3$/day.

## II. Prices for supply of last resort

1. Economically justifiable costs, reasonable profit[1] and value added tax[2] may only be included in the price of supply of last resort.

2. The costs specified in Appendix 1 are not regarded as gas traders' economically justifiable costs.

## III. Regulation of the charge for the distribution system service on a cost-plus basis

The charge for the distribution system service over a distribution system unconnected to the transmission system or to a distribution system is subject to regulation on a cost-plus basis under a separate regulation[3)].

The distribution system operator may only include economically justifiable costs required for operating the licensed activity, reasonable profit[1)] and value added tax[2)] in the charge for the distribution system service. The costs specified in Appendix 1 are usually not regarded as economically justifiable costs.

## IV. Local distribution system operators with a different price

Appendix 2 contains a list of the operators of distribution systems to which less than 90,000 customer supply points are connected, which have requested a different determination of allowed revenues and variable costs under Section 19a(7) of Act No 458/2000 on the Conditions for Business and State Administration in the Energy Industries and Amending Certain Laws (Energy Act), as amended, and the Energy Regulatory Office has decided on a different determination of allowed revenues and variable costs.

Local distribution system operators shall use the price of the distribution system service up to the amount of the prices for distribution system services of the regional distribution system operator to whose distribution system they are connected. If the ERO decides on a different determination of allowed revenues and variable costs of a local distribution system operator under the Energy Act, the ERO shall proceed mutatis mutandis under Appendix 4 for pricing the distribution system services of the local distribution system operator.

## V. Regulatory methods and pricing procedures in the gas industry

1. The Energy Regulatory Office regulates the prices of the gas transmission service using the algorithm in the regulatory formula in Appendix 3.

2. The Energy Regulatory Office regulates the prices of the distribution system service using the algorithm in the regulatory formula in Appendix 4.

3. The procedure for calculating correction factors for the transmission system operator and for distribution system operators is set out in Appendix 5.

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[1] Section 2(7)(b) of Act No 526/1990 on prices, as amended

[2] Act No 235/2004 on Value Added Tax, as amended

[3] Act No 526/1990 on prices, as amended

## VIII. Repealing provisions

The following are repealed:

1. Energy Regulatory Office Price Decision No 4/2014 of 25 November 2014, on regulated prices related to gas supply.
2. Energy Regulatory Office Price Decision No 2/2015 of 4 September 2015, amending Energy Regulatory Office Price Decision No 4/2014 of 25 November 2014, on regulated prices related to gas supply.
3. Energy Regulatory Office Price Decision No 3/2015 of 21 October 2015, amending Energy Regulatory Office Price Decision No 4/2014 of 25 November 2014 as amended by Energy Regulatory Office Price Decision No 2/2015 of 4 September 2015, on regulated prices related to gas supply.

## IX. Effect

This price decision shall come into effect on 1 January 2016.

Energy Regulatory Office Chairwoman

Alena Vitásková

## Appendix 1

## to Price Decision No. 6/2015

The following are not economically justified costs for the purposes of supply of last resort:

a) Entertainment costs;

b) Travel costs refunded in excess of the amounts under a separate regulation[5]),

c) Costs spent by the employer on employees' accommodation, unless accommodation on business trips is concerned;

d) All costs of the benefits provided by the employer to its employees;

e) Contributions to company meals over 55% of the price of one main course during one shift, and over 70% of the subsistence allowance when the business trip lasts from 5 to 12 hours, as laid down in the respective regulation[5)];

f) Costs of employees' personal consumption (for example, cost of private telephone calls and costs of fuel consumption for personal needs);

g) Payments of premiums towards employees' insurance in excess of contributions to social security and the government's employment policy and premiums for general health insurance under the respective regulation[6]);

h) Financial settlement, for example, redundancy pay in excess of the obligations set out in the respective regulation[5)];

i) All emoluments to members of governing bodies;

j) Directors and Officers liability insurance covering damage to the company in exercising their office;

k) Costs of financial lease payments, on an accrual basis, under lease agreements executed after 1 January 2004, which exceed the amount corresponding to accounting depreciation of the fixed assets in question; this non-deductible part of payments may become a deductible cost item up to the level that corresponds to accounting depreciation after the end of the financial lease in the years that follow;

l) Fines, penalties, late charges, financial compensation for damage and other payments for failure to meet obligations under contracts and under laws and regulations;

m) Asset depreciation higher than actual depreciation applied under the respective regulation[7)];

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5 Act No 262/2006, the Labour Code, as amended

6 Act No 589/1992 on contributions to social security and the government's employment policy, as amended

Act No 592/1992 on premiums for general health insurance, as amended

7 Act No 586/1992 on Income Tax, as amended

n) Costs of tangible and intangible fixed asset and inventory retirement in excess of the proceeds from their retirement, with the exception of the residual value of fixed assets that are no longer fit for service;

o) Sunk costs (capital projects not carried out);

p) Deficits, and damage to property and costs of repairing such damage (with the exception of damage caused by natural disasters), including the reduction in the value of unusable inventories and physical disposal of inventories, and damages and indemnities related to the performance of the licensed activity;

q) Write-off of time-barred and bad debts;

r) Provisioning for accounts receivable;

s) Establishment of reserves;

t) Personal and corporate income tax;

u) Other costs that are not incurred for the purpose of ensuring the reliable, safe and efficient performance of the licensed activity;

v) Costs of legislative and regulatory activities and professional activities and membership dues to societies, associations, chambers, etc.;

w) Costs incurred in the issuance of other than the entity's own regulations and regulations that have a fixed selling price.

## Appendix 2

## to Price Decision No. 6/2015

List of the operators of distribution systems to which less than 90,000 customers' supply points are connected:

ČEZ Energetické služby, s.r.o., Company No. [IČ]: 27804721, having its registered office at Výstavní 1144/103, Ostrava-Vítkovice

ENERGIE CZ s.r.o., Company No. [IČ]: 27077187, having its registered office at Fortna 225, Nové Strašecí

ENERGY Ústí nad Labem, a.s., Company No. [IČ]: 25540971, having its registered office at Žukovova 100, Ústí nad Labem

Petr Hurta, licence č. 220102855, Company No. [IČ]: 70318841, having its registered office at Hřbitovní 966/2, Nový Jičín

MS UTILITIES & SERVICES a.s., Company No. [IČ]: 29400074, having its registered office at Bezručova 1200, Nový Bohumín

PSP Technické služby a.s., Company No. [IČ]: 47677937, having its registered office at Kojetínská 2937/53, Přerov

QUANTUM, a.s., Company No. [IČ]: 25307762, having its registered office at Brněnská 122/212, Vyškov

VLČEK Josef – elektro s.r.o., Company No. [IČ]: 26115565, having its registered office at Podnikatelská ulice, Praha 9 – Běchovice