



javna agencija RS za energijo

**THE ANNUAL
REPORT OF THE
ENERGY AGENCY
OF THE REPUBLIC
OF SLOVENIA
FOR 2003**



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Maribor, February 2004

The Council of the Energy Agency of the Republic of Slovenia adopted the Annual Report of the Energy Agency of the Republic of Slovenia for 2003 at its 2nd correspondence session, on 13 October 2004. The Government of the Republic of Slovenia gave its approval to this report at its 95th regular session, on 21 October 2004.



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Introduction

2003 was the third year of operation for the Energy Agency of the Republic of Slovenia (henceforth referred to as the Energy Agency). The extent of the work increased gradually, and developed in line with the legislative tasks and the processes of introducing the market for electricity and natural gas in Slovenia. The operating of the Energy Agency was based on the working plan for 2003 and 2004, and the approved working plan and financial plan for 2003.

This report is composed in such a way that it includes the planned activities for 2003 from the working programme of the Energy Agency for 2003 and 2004, and the financial plan of the Energy Agency for 2003 and 2004, which the government of the Republic of Slovenia approved for 2003 by issuing its consent on 12 Dec 2002, with the decisions No. 408-26/2001-5 and No. 408-26/2001-6, at the same time taking into account the requirements of the Public Finance Act and the Accountancy Act, as well as the executive regulations based on these two acts.

With regard to the process of introducing and developing the energy market in Slovenia, 2003 was an important turning point. In this year the market for electricity was opened up to international trading, while the market for natural gas began to become open for eligible customers.

The Energy Act (henceforth referred to as the EA) was passed in September 1999 with the aim of introducing an energy market in Slovenia, and to regulate the energy sector in a modern way, taking into account new developmental trends. In accordance with the EA the Energy Agency is an independent organisation carrying out the tasks stipulated by the legislation and the activities required to accomplish these tasks regarding the control over the operation of the market for electricity and natural gas. The Energy Agency carries out these tasks with the purpose of ensuring transparent and non-discriminatory operation of the market in the interests of all the participants.

In the process of deregulation and liberalisation of the energy markets the state sets the aims of the energy policy and makes appropriate decisions, while at the same time it is changing its earlier role of guide to the energy sector into the role of the owner of the companies. The necessary control arising from the partly (natural) monopoly tendency in the sector, i.e., the mainly monopoly nature of the electricity and natural-gas networks, is carried out by the Energy Agency, which, with the appropriate regulatory strategy, allows the economic aims of the energy policy of this sector to be realised.

The responsibilities of the Energy Agency are as follows:

- to set the prices for the use of electricity networks with a general act,
- to rule on disputes,
- to issue licenses for carrying out energy-related activities.

In addition to these tasks, the Energy Agency also performs the following:

- it cooperates with responsible bodies and inspection agencies,
- it issues annual reports and information to the public,
- it carries out other tasks associated with the control of the operation of the market for electricity and natural gas.

The Energy Agency also carries out other activities, providing these activities are related to the tasks stipulated by the legislation regarding the control of the energy market. It also identifies problems in the operation of the market for electricity and gas that hinder the development of competition or distort it, as well as other cases of the abuse of a dominant position.

The Energy Agency cooperates in bilateral relations and in international organisations in the field of control of the operation of the market for electricity and natural gas.

The vision of the Energy Agency is to be involved in setting the aims of the energy policy in Slovenia and the implementation of such a strategy and regulatory framework that will be based on incentives for energy companies, and taking into account the interests of the customers, and at the same time allowing the aims of the energy field to be achieved, which are determined and adopted by Slovenia and the European Union.

With an effective operation, realisation of the set aims and with the tasks described later in the report, the Energy Agency acted as one of the coordinators of the energy sector, represented the common interests, coordinated and took into account the aims of the state, as well as the energy companies and the customers.

The Energy Agency's guidelines in realising its tasks are its expertise, its consistent commitment to legal norms, and respecting the integrity of all the participants in the energy market. The Energy Agency also pays attention to the protection of the environment; and for this reason it supports the sustainable use of energy resources. It makes sure that its operation is transparent and available to the public, while also ensuring the transparency of the energy market.

1 General activities

1.1 Organisation of the Energy Agency

In 2003 the Director of the Energy Agency was Dr. Jože Koprivnikar; his assistant was Marko Senčar, M Sc. The Secretary General of the Energy Agency, Mojca Černelč, B Law, carried out the tasks of the Head of the Legal Department and the Common Services Department.

The Energy Agency has four Service Departments - Technical, Economics, Legal and Common - that were formally set up in April 2003, with the appointment of their heads and a detailed description of the tasks and responsibilities of the individual services.

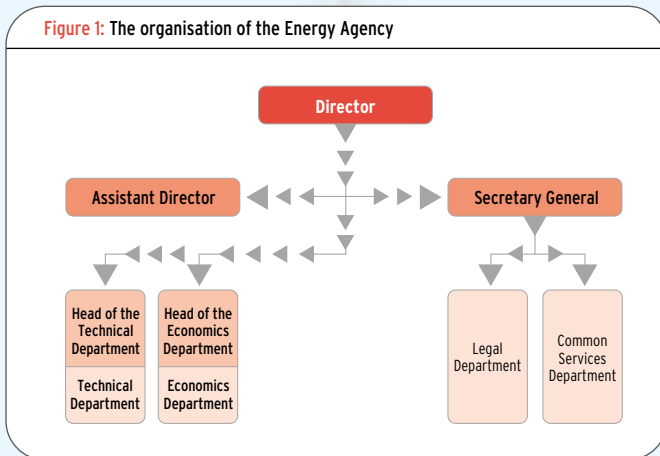
The operation of the Energy Agency is based on network organising and a multi-disciplinarily approach. As a rule, each product of the Energy Agency is a result of the cooperation of at least two - but often of all four - services. In order to achieve this, the working process in the Energy Agency is teamwork-oriented and individual activities require the combined efforts of the specialists from different professional backgrounds. For this purpose, in 2003 a leadership team was set up; this team met regularly and in addition to the director and the assistant to the director it was composed of the heads of all the service departments of the Energy Agency.

The current organisation allows for the expected expansion of the operational areas of the Energy Agency and the resulting expansion in the number of employees. The adoption of the amendments and the supplements to the EA will allow an even more detailed description of individual operational tasks.

The Technical Services Department prepares the ground for the Energy Agency's decision-making regarding the technical aspects of regulation in the market for electricity and natural gas. This department cooperates with the Economic Services Department of the Energy Agency when setting the prices for the use of electricity networks, the assessment of the eligibility of costs, as well as when preparing the comparative analyses and the mechanism of the price control with the parameters of the supply quality. It assesses the eligibility and the extent of the ancillary services, monitors the consumption of electricity and natural gas, and the development of networks, i.e., the submitted development plans of the networks. It also cooperates in the area of issuing licenses. The Technical Services Department prepares opinions regarding the technical aspects of the operation of the markets for electricity and natural gas. It cooperates with the inspection services and other state bodies as well as non-governmental organisations. It follows the operation of the regulatory bodies in other countries, and also cooperates with them.

The Economic Services Department provides support to the leadership of the Energy Agency regarding the economic aspects of regulation. It prepares the analyses of the operation of the providers of regulated energy-related activities and economic analyses regarding the disputes arising from the denial of third-party access or the charged prices for the use of the electricity and gas networks. It determines the eligible costs of the providers of regulated energy-related activities and prepares the proposals for the use-of-network prices. The Economic Services Department also monitors and analyses the market for electricity and natural gas in Slovenia, and monitors the activities in the internal energy market of the European Union. It is continually acquiring knowledge about the operation of the regulatory bodies in other countries, as well as cooperating with them.

Figure 1: The organisation of the Energy Agency



The Legal Department provides support to the Energy Agency's leadership regarding the legal aspects of regulating and internal organisation as well as the business operations of the Energy Agency. Its tasks include the management and control of administrative procedures regarding the disputes arising from the denial of third-party access or the charged prices for the use of the electricity networks. It issues decisions, prepares legal reviews, legal analyses and opinions. It prepares the proposals for measures regarding the price setting, the criteria for the eligibility of costs and the operations of the companies. It analyses all legal issues related to the operating of the Energy Agency and implementing its authorities. It studies the legal aspects of the issuing of licenses for the provision of energy-related activities and runs administrative procedures regarding the granting of licenses. It is responsible for the area of labour legislation and legal control of the realisation of public works. In its work it cooperates with the inspection services and other state bodies as well as other non-governmental organisations. It also continually follows the legal aspects of the operations of the regulatory bodies in other countries.

The Common Services Department provides support to the Energy Agency's leadership regarding common matters, it runs public relations and carries out the accounting-and-finance services needed for the purpose of the Energy Agency's operation. It also controls the use of allocated budget assets and other funds. The Common Services Department cooperates in the tasks carried out by the other service departments of the Energy Agency; it is responsible for the realisation of all the administrative and technical procedures that require the activities of the Dispatch Office, Reception and Information Office, where all the issues and documents are recorded and classified, and it is also responsible for the regular maintenance of documentary and archive materials. This department keeps the records and documentation related to all the procedures in the area of licensing and dispute settling, which the Energy Agency is responsible for; it also cooperates in the preparation of the documentation and realisation of public works. An internal library operating within Cobbis, the national cataloguing system, is also part of the common services department. The Section for Informatics is responsible for the area of information technology, i.e., the information support to all the operational areas of the Energy Agency. It oversees the design and maintenance of the information system and databases, as well as the planning, purchasing and maintaining of the hardware, software, telecommunications equipment and the local network.

1.2 The working programme

The text below gives a summary of the Working Programme for 2003 and 2004, which will be the starting point of this report. The government of the Republic of Slovenia gave its consent to the part of the Working Programme relating to 2003.

1.2.1 The area of electricity

In 2002 the Energy Agency set up and published the mode of implementing economic regulation of use-of-network prices, while in 2003 and 2004 it will chiefly appropriately monitor and analyse the operations of the providers of the regulated activities. It will also upgrade comparative analyses and the analyses of the macro-economic effects of the change in the prices.

The Energy Agency will annually publish use-of-network prices for the following year and suggest to the government of the Republic of Slovenia the compulsory starting points applicable to the operators of the transmission and distribution networks to be used for the contracts regarding access to the transmission network.

The Energy Agency is going to issue guidelines for separate accounting for different activities of public services (henceforth referred to as PSs). The Energy Agency will also continually study the suitability of the current method for setting the use-of-network prices, and, if necessary, upgrade it, also taking into account the findings and recommendations of the international forum of regulators in the area of electricity (the so-called Florence Forum).

In 2003 the Energy Agency will have upgraded the software that it developed for carrying out comparative analyses, as well as planning and completing new software. The Energy Agency will have monitored the prices for ancillary services and the possibilities for their provision. In addition to its own professional work the Energy Agency will also have commissioned professional analyses, counselling services and studies that will allow the involvement of internationally recognised specialists, the completion of international comparisons, and the verification of models or their parts.

In 2003 the Energy Agency will have determined the starting point for the regulation of prices with the supply quality and investigate which comparative data it will monitor and which it will publish, as well as which data will need to be re-measured and re-monitored. The Energy Agency's cooperation will also be required in the process of preparing the executive regulations and standards that directly or indirectly relate to the quality of the supply.

1.2.2 The area of natural gas

The Energy Agency will follow the activities on the international market for natural gas and the implementation of new EU rules relating to the area of natural gas, and will get ready for the changes in regulations. The Energy Agency will creatively cooperate in preparing and upgrading the missing executive regulations, or their parts, that are required for the operation of the natural-gas sector.

The Energy Agency will, in the interests of all the market participants, monitor and analyse the activities in the natural-gas market with respect to transparency and non-discrimination. In the cases of possible irregularities the Energy Agency will act in the framework of its responsibilities, taking into account the principles of good practise.

1.2.3 Settling disputes

The tasks that the Energy Agency will carry out in this area will have a great impact on the provision of energy-related activities and on the correct operation of the energy market. In 2003 and 2004 the Energy Agency will, in addition to the managing of the administrative procedure and the related decision-making regarding each individual dispute, also analyse these disputes in detail with respect to the technical, economic, and legal aspects, establish reasons for the disputes, seek solutions for their prevention and find possibilities for the closing of legal loopholes. It will submit its proposals for solutions to the responsible ministry or the legislator. Settling disputes is, with regard to the mode of decision-making, the dynamics and the size of the disputes, the least predictable task of the Energy Agency.

In addition to its own work, knowledge and development, the Energy Agency will occasionally need to obtain expert opinions or counselling from external specialists in the areas of law, economics and technology, as well as prepare or upgrade its software.

1.2.4 Licensing

The tasks in the area of licensing are mainly the following: managing administrative procedures regarding the issuing of licenses and decision-making in these procedures; managing the register of issued and revoked licenses; checking the fulfilment of the conditions for obtaining the licenses of the holders of already-issued licenses; following and analysing of the activities and the role of licensing in other countries, as well as the possible proposal of changes to the legislation; and other related activities.

1.2.5 Control of the market

The tasks in this area include identifying the possible problems that a market participant might cause, or the shortcomings in the legislation that might lead to anomalies and distortions, including the abuse of a dominant position in the market for electricity or natural gas.

With regard to control, the area of network operation in accordance with the quality standards is also important, and for this reason the Energy Agency will continue the preparations and identification of the starting point for electricity quality; it will also carry out projects for the control of the quality parameters on the electricity market. It will also prepare the programme of monitoring and controlling the quality parameters of the services for electricity and appropriate proposals for the measures and potential regulations in this area.

In the area of the market for natural gas the control will mainly be focused on the transparency of the rules, which will be significantly improved by 2004. For the control of natural-gas market the Energy Agency will also need an analysis of the possible restrictions and obstacles for the operating of the market, represented by the capacities of the existing gas pipelines, the mode of their operation, and other factors.

1.2.6 International cooperations and projects

In 2003 and 2004 the Energy Agency will continue to cooperate with the European regulatory institutions, especially with the regulators of neighbouring countries (Italy, Austria, Hungary and Croatia).

The Energy Agency will cooperate at the forum of EU regulators for electricity in Florence and at the forum of the EU regulators for natural gas in Madrid. If necessary the Energy Agency will cooperate with the CEER, the Council of the European Energy Regulators, which is the umbrella organisation of the EU regulators.

With regard to professional support, knowledge development and the transfer of experiences from abroad, the Energy Agency will carry out or prepare the following international projects:

- Phare 2000 program, Liberalisation and Regulation of the Energy Market project;
- Phare 2002 program, Liberalisation of the Market for Natural Gas - Access to the Gas Transmission Network project;
- Phare 2000 program, Regulatory Framework in the Process of Opening the Internal Energy Market in Slovenia project.

1.2.7 Other activities

The Energy Agency will carry out a number of activities in the legal, general and organisational areas; it will employ new people and ensure the education and further training of its employees. The Energy Agency will improve the safety of its information system and the access to data, as well as modernising the system of controlling entry to its business premises and updating the library. It will inform the public about its work and the situation in the market, organise a seminar with international participants and ensure the involvement of its experts, acting as speakers at professional conferences and conferring with people at home and abroad.

The Energy Agency will also commission project tasks, mainly in the area of setting the use-of-network prices, settling disputes, and control of market operation.

In the financial plan for 2004 and 2005, most of the listed activities are continued and expanded; however, new activities are also added in accordance with the requirements that are set for the Energy Agency by the environment and the expected changes in legislation, and the legal order of the European Union.

1.3 The role of the Energy Agency in the Republic of Slovenia and abroad

The Energy Agency has the role of a technical regulator of the sector relating to the market for electricity and natural gas, and it has the legal status of an independent entity in public law. In Slovenia there are several similar agencies carrying out mainly regulatory and control tasks in the areas of telecommunications, broadcasting, postal services, rail traffic, the securities market, etc. Considering the nature of the work and the guidelines the Energy Agency has the most in common with the Agency for Telecommunications, Broadcasting and Postal Services of the Republic of Slovenia and the Public Agency for the Rail Traffic of the Republic of Slovenia. Both of these, like the Energy Agency, carry out the regulation of public services as well as regulating the prices for third-party access. The tasks and responsibilities of these three agencies will, in 2004, i.e., after Slovenia's entry into the EU, expand. The most important challenge for the Energy Agency is to balance the natural monopoly that the regulated companies have with the interests of the state and the interests of the other participants in the market.

The EA stipulates that the Energy Agency carries out the control of the operation of the market for electricity and natural gas, and performs all its tasks with the purpose of ensuring the transparent and non-discriminatory operation of both markets, in the interests of all the participants. With regard to this challenge it is important to understand the actual level of the regulator's independence and the problem of possible monopolies in the market for electricity and natural gas that the Energy Agency does not regulate.

The roles of the regulators in the countries of the EU are similar. They are mainly the trustees of balanced interests and the non-discriminatory market, the guarantors for the stability of prices for the use of infrastructure and the conditions for its use and accessibility. As a result they also fulfil the conditions for the inflow of investment capital required for the growth and development of the network infrastructure and the quality of energy and services.

Country	ex-ante/ ex-post	Third-party access requirements - electricity/gas	Dispute settling elec./gas	Number of employees	Annual revenues for 2002 (in millions of €)	Increase in revenues compared to 2001 (in millions of €)
Austria	Ex-ante)	R/R	R/R	45	9	+2.0
Belgium	Ex-ante	R/R	R/R	68	15	+5.5
Denmark	Ex-post	R/R	R/R	30	3	+0.5
Finland	Ex-post	R/R	R/R	15	1	-
France	Ex-ante	M/n.a.	R/n.a.	80	9	-
Germany	n.a.	N/N	C/C	n.a.	n.a.	-
Greece	Ex-ante	M/n.a.	R/n.a.	43	4	+0.5
Ireland	Ex-ante	R/R	R/R	31	6	+1.0
Italy	Ex-ante	R/R	R/R	86	18	-
Luxembourg	Ex-ante	M in R	R/R	2	n.a.	-
The Netherlands	Ex-ante	R/H	C/C	55	6	+2.0
Portugal	Ex-ante	R/n.a.	R/n.a.	52	7	+2.5
Spain	Ex-ante	M/M	R/R	153	19	+2.2
Sweden	Ex-post	R/R	R/R	33	3	-
United Kingdom	Ex-ante	R/R	R/R	330	58	-45.0

Table 1: Responsibilities and financial resources of regulators in 2002

Explanation of abbreviations: R - responsible regulator, M - responsible ministry, C - Competition Protection Office, N - non-regulated, H - hybrid, n.a. - not applicable

Source: Competences and Resources of Regulators, Second benchmarking report on the implementation of the internal electricity and gas market, Brussels, 01/10/2002, SEC (2002) 1038.

It is typical of Slovenia that the mode of regulation for electricity is in advance (ex-ante) and for natural gas it is in arrears (ex-post). This is a result of our legislative regulation (EA), which stipulates that the Energy Agency regulates (sets in advance) the use-of-network prices, while the prices for the use of the gas networks are agreed by the network users and the operator. In this case the Energy Agency only settles potential disputes arising from this price, which is a regulation in arrears.

The requirements for third-party access are, in principle, stipulated by the EA; however, the Energy Agency is also involved with the issues relating to the criteria for third-party access and the eligibility of access denial. As with other regulators, the Energy Agency's responsibility is to settle disputes about the denial of access.

At the end of 2002 there were 21 employees of the Energy Agency, whereas at the end of 2003 there were 24. The revenues in 2002 amounted to €1.625m, which was slightly less than in 2001, when the revenues were €1.647m.

With regard to its role, the Energy Agency can easily be compared with similar regulatory agencies or regulators in the countries of the EU. The authority and the responsibility to a large extent define the number of tasks of a regulator, while the size of the country and the number of inhabitants have a significantly smaller influence.

The Energy Agency recognised the tendency of the state to influence the work of an independent regulator, in particular at the end of 2003. For example, the government of the Republic of Slovenia issued an ordinance with which it interfered with the responsibilities of the Energy Agency with regard to the setting of the network charge.

1.4 Financial operation

The financial operation of the Energy Agency in 2003 mainly related to the following:

- the taking over and settlement of financial liabilities for the purposes set in the approved financial plan, in accordance with the expected dynamics;
- the planning of financial movements and the rational management of the short-term available surpluses of financial assets, with the purpose of searching for safe and profitable possibilities for financial investments;
- the current monitoring of the implementation of the financial plan for 2003;
- the continuous analysis and assessment of future financial movements in the current business year, which provided the background for the preparation of the financial plan;
- the preparation of the financial plan for 2004 and 2005.

1.5 Control activities

In accordance with the existing legislation (until the enforcement of the amended EA) the Energy Agency does not have its council, which would control its operation in the public interest, monitor the working programme, the financial plan, and the annual report, and give guidelines for future work. The only body of the Energy Agency is the director, who organises and manages its work and operation, represents it and is responsible for the legitimacy of its work.

1.6 Information system

Information technology has been developing in accordance with the requirements of working processes that are computer-supported. The local computer network consists of the application (network) server and the web server, the workstations and the system printers, which are available for printing on the network. The operation of the information system runs via the network server, with a unit for storing data (backup copies) and the web server; a firewall with a demilitarised zone was set up, and anti-virus protection was installed. The network is connected with fast-Ethernet cables and the corresponding communications equipment.

In 2003 we ensured continuous maintenance, made necessary upgrades and purchased hardware and software for the workstations and for the servers. We enhanced the level of computer support and software for the operational part of the information system. The computer support of the procedures of managing the records of the tasks, documents and projects was made. We also started the project for determining the basics with regard to the specialised content and informational requirements. This represents the foundations for the project of constructing the data store, which is to be continued in 2004. The content of the web pages was updated. We completed the analyses and the conceptual preparation of the project for updating the web pages, which will have been finished in the first part of 2004.

The information technology developed in accordance with the requirements and with the aim of supporting the working processes, mainly with regard to effectiveness, capability, availability and confidentiality. The degree of development of the information system allows all the necessary expansions with the planned software modules, databases and hardware.

1.7 The development programme of the Energy Agency

In 2004 and 2005 the Energy Agency will continue its activities, which have got off to a good start. These activities are mainly those that are stipulated in the EA and in the expected changes to this act that are the result of the guidelines of the National Energy Programme (henceforth referred to as the NEP) as well as those resulting from market development and the dynamic processes in the electricity market of the EU. The results of these developments are the new EU directives regarding the rules on the operation of the market for electricity and natural gas, which were passed in 2003. The acts with which the EU will influence the energy policies of the member states, for example, the guaranteeing of reliable supplies and deliveries, encouraging the use of electricity produced from renewable energy resources (RER) and an efficient use of energy, which also means the influence on the production and co-generation of electricity and heat, are being prepared.

The Energy Agency sees its development in the following three-to-five-year period, in accordance with the legal order of the European Union and also with the NEP, mainly in enhancing its contribution to a balanced and non-discriminatory operation of the energy market, and in achieving the main aims in the area of supply with electricity and natural gas. Special importance is attributed to the stable and predictable conditions and the prices for public services related to the use of energy networks. The Energy Agency's role will also gradually expand to the area of energy source and the reliability of the energy supply.

Already in the previous years, and especially in 2003, the Energy Agency started its work in such a way that it will be able to achieve the above-mentioned expansion mainly by means of:

- intensifying its most important current tasks regarding the setting of the use-of-network prices;
- expanding its monitoring and analysing the operations of the regulated companies, mainly with the purpose of creating the necessary economic incentives for the efficient operation and the high quality of the provision of public services;
- preparing, introducing and enforcing a similar way of regulating the use-of-network prices also in the area of natural gas, which is an explicit requirement of the directive;
- expanding its activities in accordance with the requirements of the directives, which will mainly cover connecting to the networks, the functioning of the market and the competition, transparency and control of the separation of activities, reporting to the EU institutions, support to the customers with regard to customer protection, and, last but not least, certain activities in the area of planning, supply reliability and energy source;
- expanding the tasks, as stipulated by the NEP, to the areas of tariffs for tariff customers of electricity, prices and tariffs for the use of natural gas on distribution networks, and the supply with heat.

With its operation the Energy Agency mainly aims to achieve the following:

- long-term ensuring of the reliability of the supply with electricity and natural gas in Slovenia;
- the provision of high-quality public services;
- clearly set rules that are made known in advance;
- increased revenues of the regulated companies in accordance with the extent of investments;
- increased effectiveness of the regulated companies;
- prices that mainly cover the costs of effective operation and the required quality of services, and are also acceptable to the customers, as well as in line with the state energy policy;
- continuation and upgrade of the regulated energy market following the model of developed European countries;
- its contribution to the formation of the internal energy market in the EU.

With its recent activities in the area of regulation, the Energy Agency acquired knowledge and experiences; it continually follows the activities of European regulators and is acquiring the knowledge and expert experiences, mainly in the technical, economic and legal areas. The Energy Agency commissions some of its expert services from the market.

In recent years the Energy Agency participated in a number of international projects - and this trend will be continued in the future. The largest part of this participation is done with the purpose of transferring the knowledge and experiences to Slovenia, and gaining support for the Energy Agency for the realisation of its tasks. Most of this work has been carried out within the Phare projects.

A crucial element of the development is the continual intensifying and expanding of our own knowledge and experiences, as well as acquiring of and participating in the creation of our own and European regulatory practice by cooperating in the working bodies and relevant forums, especially at the EU level.

1.8 Public relations

The Energy Agency mainly directed its communicational activities towards the professional and general public, as well as to the media. In doing this it mainly followed the aims arising from the legislative tasks and the mission of the energy regulator that cannot be successfully fulfilled without its operation being transparent and made known to the public.

1.8.1 The professional public

With regard to communicating with the professional public, the most effective event was a two-day international conference on the electricity market; it was also the most demanding and most comprehensive event that the Energy Agency has organised so far. The Conference took place on 11 and 12 September in the Congress Centre of the Habakuk Hotel in Maribor. About 150 participants attended talks presented by more than twenty speakers, among whom there were representatives of the European Commission, associations of European specialists, foreign regulators, the Ministry of the Environment, Spatial Planning and Energy (henceforth referred to as the MESPE), the representatives of participants in the Slovenian energy market, and the Energy Agency.

In 2003 the Energy Agency prepared, at its premises, several professional meetings regarding its own operation, to which it mainly invited the representatives of the companies for the transmission and distribution of electricity. One of the most important such meetings was the consultation on the new accounting standards, whose aim was to get acquainted with all the innovations and specific characteristics relating to the energy sector for the purpose of preparing the annual accounts for 2002.

The Report on the work of the Energy Agency and the situation in the energy sector, which the Energy Agency has published twice so far, is mainly prepared for the professional public. The Energy Agency extended the report for 2002, mainly in order to include the comparisons of our situation with the conditions in the EU, and paid more attention to the analysis of the operational results of the regulated companies for the transmission and distribution of electricity that are directly controlled by the Energy Agency. This document allows a comprehensive insight into the situation in the energy sector and the opening of the market for electricity and natural gas in Slovenia, as well as accurately presenting the activities of the energy regulator.

Also of great importance were the numerous talks, presentations and lectures that the members of the Energy Agency gave at various professional meetings in Slovenia and abroad.

1.8.2 The general public

For the purpose of informing the general public, the Energy Agency mainly used its web pages and information that was communicated through the media. The web pages of the Energy Agency are extremely popular, and were regularly updated. Due to a wish to modernise the content and the form of the web pages, the starting points for their renewal were prepared at the end of 2003, when the main requirement was to utilize this tool for the realisation of the Energy Agency's obligations arising from the Access to Public Information Act. An analysis has shown that the web pages are also a very important tool for informing the interested professional public in Slovenia and abroad.

1.8.3 The media

In 2003 the Energy Agency organised only one press conference and prepared five press releases for the media; however, by answering all the current questions set by the media, it fully met the needs of the media and, in this way, also of the general public, to acquire the information regarding the operation of the regulator. We also prepared a number of contributions for specialist publications.

1.8.4 The corporate identity of the Energy Agency

The Energy Agency ensured a consistent use of its corporate identity that was designed at the time of its establishment, and in 2003 it also prepared a relevant manual. All the materials, publications and other visual presentations of the Energy Agency were brought in line with the requirements of this manual.

2 Specialised activities

2.1 Legislative and other legal grounds

The Energy Agency was established and it operates on the basis of the Energy Act and its executive regulations. In addition, it is also obliged to consider other relevant Slovenian legislation and the legislation of the European Union.

2.1.1 The Energy Act

The Energy Act (EA) was passed in 1999, published in the Official Gazette of the Republic of Slovenia, No.79-3757/1999, and it came into force on 15 October 1999. The EA was amended with the following acts:

- **The Revision of the Energy Act (EA), the Official Gazette of the Republic of Slovenia, No. 8-1/2000;**
- **The Public Agencies Act, the Official Gazette of the Republic of Slovenia, No. 52-2527/2002;**
- **The Constructing Facilities Act, the Official Gazette of the Republic of Slovenia, No. 110-5387/2002;**
- **The Decision of the constitutional court on the repeal of the first, second, third, fifth and partly fourth points of Article 46 of the Energy Act, the Official Gazette of the Republic of Slovenia, No.50-2445/2003.**

2.1.2 Executive regulations

The sections below list the executive regulations that were passed on the basis of the Energy Act and were in force in 2003, or were published that year.

2.1.2.1 THE EXECUTIVE REGULATIONS REGARDING THE OPERATION OF THE ENERGY AGENCY

1. Decision on the Energy Agency Formation, the Official Gazette of the Republic of Slovenia, No. 54-2520/2000;
2. Statute of the Energy Agency, the Official Gazette of the Republic of Slovenia, No. 102-4282/2000;
3. Ordinance regarding the requirements and the procedure for issuing and revoking the licenses for operating the energy-related activities, the Official Gazette of the Republic of Slovenia, Nos. 21-1258/2001, 31-1900/2001.

2.1.2.2 THE EXECUTIVE REGULATIONS RELATING TO NATURAL GAS

1. Rules on gas facilities, the Official Gazette of the Republic of Slovenia, Nos. 105/2000, 28/2002, 60/2003
2. Ordinance relating to the operating mode of the public service of transmission of natural gas and the public service of operating the transmission network, the Official Gazette of the Republic of Slovenia, Nos. 8/2001, 11/2001
3. Rules on technical requirements for the construction, operation and maintenance of the gas pipelines with an operating pressure of more than 16 bar, the Official Gazette of the Republic of Slovenia, Nos. 60/2001, 54/2002
4. Rules on the technical requirements for the construction, operation and maintenance of the gas pipelines with the highest operating pressure of up to 16 bar, the Official Gazette of the Republic of Slovenia, Nos. 26/2002, 54/2002
5. The tariff system for the supply of natural gas to the tariff customers on the transmission network, the Official Gazette of the Republic of Slovenia, No. 96/2002
6. Ordinance on setting general conditions for the supply and consumption of natural gas from the transmission network, the Official Gazette of the Republic of Slovenia, No. 10/2003
7. Rules on the system operation instructions for the transmission of natural gas and the operation of the gas transmission network, the Official Gazette of the Republic of Slovenia, No. 65/2003
8. Framework prices and other commercial conditions for the use of the gas transmission network, the Official Gazette of the Republic of Slovenia, No. 131/2003.

2.1.2.3 THE EXECUTIVE REGULATIONS RELATING TO ELECTRICITY

1. Ordinance relating to the operating mode of the public service of transmission of electricity and the public service of operating the transmission network, the Official Gazette of the Republic of Slovenia, Nos. 54/2000, 79/2000, 124/2000, 29/2001, 99/2001, 70/2003
2. Ordinance relating to the operating mode of the public services in the field of electricity distribution, the Official Gazette of the Republic of Slovenia, Nos. 54/2000, 31/2001, 99/2001, 96/2003
3. Ordinance relating to the operating mode of the public service of organising the market with electricity, the Official Gazette of the Republic of Slovenia, Nos. 54/2000, 70/2003
4. Decision on determining the operator of the transmission network for electricity in the Republic of Slovenia, the Official Gazette of the Republic of Slovenia, No. 54/2000
5. Ordinance relating to the conditions for obtaining the status of qualified producer of electricity, the Official Gazette of the Republic of Slovenia, Nos. 29/2001, 99/2001
6. Rules on setting the prices for the use of electricity networks and the criteria for the eligibility of costs, the Official Gazette of the Republic of Slovenia, Nos. 30/2001, 103/2001, 48/2002, 109/2002, 11/2003, in force until 31 December 2003
7. Rules regarding the operation of the electricity market, the Official Gazette of the Republic of Slovenia, Nos. 30/2001, 118/2003
8. System operation instructions for the electricity-distribution network, the Official Gazette of the Republic of Slovenia, No. 15/2002, in force until 25 December 2003
9. Ordinance regarding the rules on setting the prices and on the purchasing of electricity from qualified producers of electricity, the Official Gazette of the Republic of Slovenia, No. 25/2002
10. System operation instructions for the electricity-transmission, the Official Gazette of the Republic of Slovenia, No. 46/2002
11. Ordinance on setting the highest tariff prices for electricity sold to tariff customers, the Official Gazette of the Republic of Slovenia, No. 67/2002, in force until 30 April 2003
12. Rules on the mode and requirements for the allocation of and the criteria for the access to the cross-border transmission capacities, the Official Gazette of the Republic of Slovenia, Nos. 103/2002, 103/2003
13. Ordinance regarding general conditions for the supply and consumption of electricity, the Official Gazette of the Republic of Slovenia, Nos. 117/2002, 21/2003
14. Decision on setting the average costs for connecting new network users and for increasing the connected capacities of the existing users, the Official Gazette of the Republic of Slovenia, No. 11/2003
15. Rules on the allocation of the non-firm cross-border transmission capacities, the Official Gazette of the Republic of Slovenia, No. 15/2003, in force until 31 December 2003
16. Ordinance on setting the highest tariff prices for electricity sold to tariff customers, the Official Gazette of the Republic of Slovenia, No. 39/2003, in force until 31 January 2004
17. Ordinance regarding the energy infrastructure, the Official Gazette of the Republic of Slovenia, Nos. 62/2003, 88/2003
18. Decree regarding the rescue programme for stranded investments in the companies for electricity production in the Republic of Slovenia, the Official Gazette of the Republic of Slovenia, No. 81/2003
19. Rules on system operation of electricity-distribution networks, the Official Gazette of the Republic of Slovenia, No. 123/2003
20. Rules on setting the prices for the use of electricity networks and the criteria for the eligibility of costs, the Official Gazette of the Republic of Slovenia, No. 134/2003

2.1.2.4 OTHER EXECUTIVE REGULATIONS

1. Rules on allocating funds for the promotion of renewable energy resources, the effective use of energy and cogeneration, the Official Gazette of the Republic of Slovenia, No. 74/2001, in force until 26 May 2003
2. Rules on allocating funds for the promotion of the effective use of energy and the use of renewable energy resources, the Official Gazette of the Republic of Slovenia No. 49/2003
3. Rules regarding specific data that the providers of energy-related activities are obliged to submit to the responsible ministry, the Official Gazette of the Republic of Slovenia, No. 82/2003
4. Rules regarding the requirements for the issuing of energy licences, the Official Gazette of the Republic of Slovenia, No. 123/2003

2.1.2.5 THE EXECUTIVE REGULATIONS WHOSE VALIDITY WAS EXTENDED BY THE EA

Of the regulations issued on the basis of the Energy-Economy Act (the Official Gazette of the Socialist Republic of Slovenia, No. 33-/1981), which the EA repealed, the validity of the following regulations was extended by the EA:

1. Measures and criteria regarding the reimbursements for new connections and for increasing the existing connected capacities of the users on the low-voltage level of 0.4 kV and the voltage levels of 1-35 kV, the Official Gazette of the Socialist Republic of Slovenia, Nos. 2/1982, 1/1983, 1/1984, 27/1985, 1/1986, 50/1986, 45/1987, 3/1988 *;
2. Rules regarding the professional education, working experiences, mandatory training, and the mode of testing the knowledge of the workers performing the jobs and tasks related to the operation of energy facilities, the Official Gazette of the Socialist Republic of Slovenia, Nos. 30/1983, 31/1984, 1/1987, 31/2000;
3. Rules on the rational use of energy during heating and airing of the facilities and preparing hot water, the Official Gazette of the Socialist Republic of Slovenia, Nos. 31/1984, 35/1984, and the Official Gazette of the Republic of Slovenia, No. 42/2002;
4. General conditions for the supply and consumption of electricity, the Official Gazette of the Socialist Republic of Slovenia, Nos. 27/1985, 5/1988, 23/1988, 15/1989, the Official Gazette of the Republic of Slovenia - No. 26/1990 *;
5. Requirements for issuing the electricity consents for the connection to the electricity system, the Official Gazette of the Socialist Republic of Slovenia, Nos. 29/1986, 15/1989 *;
6. Measures and criteria for the reimbursements for the connection to the gas transmission network of the Socialist Republic of Slovenia and for increasing the consumption of natural gas from this network, the Official Gazette of the Socialist Republic of Slovenia, No. 1/1987;
7. Criteria for joining the funds of the electricity users at 110 kV for increasing the connected capacity, the Official Gazette of the Socialist Republic of Slovenia, Nos. 15/1987, 3/1988, 45/1987 *;
8. Measures and criteria for the preferential supply with heavy fuel oil in the Socialist Republic of Slovenia, the Official Gazette of the Socialist Republic of Slovenia, No. 45/1987;
9. Ordinance regarding the limitation of the loads and electricity consumption in the electric power system, the Official Gazette of the Republic of Slovenia, Nos. 42/1995, 64/1995;
10. Ordinance relating to the operating mode of the public service of the supply with natural gas from the transmission network, the Official Gazette of the Republic of Slovenia, No. 77/1996;
11. Ordinance relating to the operating mode of the public service of the transmission of natural gas, and the public service of operating the transmission network, the Official Gazette of the Republic of Slovenia, No. 8/2001;
12. Tariff system for the sale of electricity from Slovenian electric power system, the Official Gazette of the Republic of Slovenia, No. 84/1998.

2.1.2.6 THE EXECUTIVE REGULATIONS ISSUED ON THE BASIS OF THE PRICE CONTROL ACT

On the basis of the Price Control Act (the Official Gazette of the Republic of Slovenia, No. 63/1999), the following regulations affecting the operations of the market for electricity and natural gas were in force, or became published, in 2003:

1. Ordinance on setting the fixed network charge for the distribution and transmission networks, the Official Gazette of the Republic of Slovenia, No. 135/2003;
2. Ordinance on setting the average selling price of natural gas for the supply to tariff customers on the transmission network, the Official Gazette of the Republic of Slovenia, No. 109/2002, in force until 31 December 2003;
3. Ordinance on setting the average selling price of natural gas for the supply to tariff customers on the transmission network, the Official Gazette of the Republic of Slovenia, No. 124/2003.

2.1.3 The EU legislation

In 2003 the Energy Agency was preparing itself for the changes that the EU legislation will bring to the areas of its operation after 1 May 2004.

In 2003 two new directives relating to electricity (2003/54/EC) and natural gas (2003/55/EC) were adopted. The area of cross-border trading with electricity is regulated by the EU regulation No. 1228/2003, which was also adopted in 2003 and will come into force in the EU on 1 July 2004.

The Energy Agency also followed the EU legislation in the areas relating to its operation:

- **directive relating to renewable energy resources,**
- **guidelines regarding the protection of the environment,**
- **directive regarding emissions.**

Other legal EU acts relating to renewable energy resources and the source of electricity, as well as the supply with energy and emissions, are also relevant to the operation of the Energy Agency.

2.2 The objectives of the Energy Agency

The long-term objectives of the Energy Agency arise from its working programme and its role, and are in accord with the relevant strategic document called The National Energy Programme (NEP).

2.2.1 The long-term objectives of the Energy Agency

With the aim of realising its vision in the interests of all the participants, the Energy Agency set itself the following main objectives:

- cooperation in the creation of conditions for a permanent, reliable and high-quality supply with electricity and natural gas to customers in Slovenia;
- setting up and maintaining an economically controlled environment with regard to operations and costs;
- support to effective operations and investments in the regulated activities;
- promotion of the effective use of the existing infrastructure;
- implementation of regulatory responsibility through transparency and the public disclosure of regulatory process and the foundations for regulatory decisions;
- effective implementation of economic control by means of seeking an acceptable balance among the interests of the providers of regulated activities, the users of their services, and the general public;
- a even-handed treatment of all the participants in the market:
 - irrespective of the position of individual market participants, their size, or their possible market shares in Slovenia or the EU;
 - with regard to non-discriminatory and suitable mechanisms and rules that apply to the market operations in Slovenia or the EU;
- preparation and implementation of the general and possible individual acts of the Energy Agency, with the purpose of clearly and transparently defining the rules and decisions that arise from its authority;
- to allow the operation of the market in a transparent and non-discriminatory way in the framework of its responsibility by means of controlling the market operations and identifying, preventing and drawing attention to possible abuses and improper behaviour;
- to create good practise or good business habits relating to the market for electricity and natural gas in Slovenia, including the Energy Agency's own regulatory practise;
- in addition to good practise, to create other additional benefits for all the market participants.

2.2.2 Annual objectives

Resulting from the long-term objectives of the Energy Agency, the objectives for 2003 were mainly the following:

- to fulfil all the tasks that the EA and executive regulations issued on its basis require the Energy Agency to perform;
- to monitor and analyse the operations of the regulated electricity companies with the purpose of establishing the results of the first year of the regulatory framework set for the period 2003–2005;
- to start upgrading the mode of regulation by focusing on the quality of supply, the delivery and the services;
- in a process in which all the interested legal entities or individuals can cooperate, to prepare an updated version of the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs, with which the Energy Agency also sets the prices for 2004;
- to contribute to the increased transparency of the operation, e.g., by cooperating in the preparation of individual acts (general conditions, system-operation instructions relating to natural gas) or by giving consent to acts (e.g., criteria for the allocation of cross-border transmission capacities for electricity);
- to complete the two Phare projects that started in 2002 and prepare everything necessary for the realisation of the new Phare project that will be carried out in 2004 and 2005 with the purpose of acquiring knowledge and relevant international experience from a variety of specialists relating to different areas of the Energy Agency's operation;
- to start the preparations relating to the market for natural gas in order to transfer from negotiated third-party access to regulated third-party access;
- to inform the public about events and happenings in the market for electricity by organising an international conference;
- to become recognised and to cooperate in the international forums, expert associations and meetings.

2.3 The achievements of the Energy Agency

A review of the tasks arising from the working plan for 2003 and its comparison with the actually realised tasks confirm the success of the Energy Agency's operation. This report additionally lists the unrealised objectives as well as the tasks that were not included in the plan. There were a lot of tasks, which were very varied in terms of content, extent and outcomes. The most important tasks and achievements of the Energy Agency in 2003 are as follows:

- publishing Amended Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs,
- laying the foundations for issuing the RECS certificates and the guarantees of the origin of electrical energy,
- organisation of an international conference on the electricity market.

The above-mentioned rules were the first executive regulation that the Energy Agency prepared in a way that was completely open to the public, and in terms of its contents this document is significantly better than the previous version, which these rules replaced.

The laying of the foundations for issuing the RECS certificates and the guarantees of the origin of electrical energy is not only important for the energy sector; it is also an exceptionally important task with regard to the protection of the environment.

The international conference on the electricity market contributed a lot, not only by increasing the awareness of Slovenian market participants about the current conditions and expectations; it also broadened the knowledge of the representatives of the European Commission and the relevant international organisations about the conditions in Slovenia, which will surely be useful in the time of Slovenia's closer cooperation following the country's entry into the EU.

2.3.1 Electricity

With regard to electricity, in 2003 the Energy Agency focused on the most extensive and, in terms of regulation, the most important task: the regulation of the use-of-network prices. In addition, it also continuously carried out other tasks relating to this area.

2.3.1.1 IMPLEMENTATION OF THE REGULATORY FRAMEWORK IN THE FIRST YEAR

2.3.1.1.1 An analysis of the economic plans of the companies and a comparison with the regulatory framework

2003 was the first year of the regulatory period 2003-2005 with which the Energy Agency introduced, on the basis of economic incentives, and specified the system of control of the use-of-network prices (henceforth referred to as UNPs). With regard to the implementation of the regulatory framework, the priority of the Energy Agency in 2003, i.e., in the first year of the regulatory framework, was the control of the implementation of the valid regulatory framework and an analysis of the operations of the providers of regulated activities.

With this in mind, the Energy Agency carried out an analysis of the economic plans of the regulated companies for distribution and transmission, and established their compliance with the regulatory framework. The companies, when preparing their annual economic plans, considered the regulatory framework; there are smaller deviations in the cases of depreciation costs, where the differences occur as a result of a unification of the depreciation levels for the equipment of the same type among the distribution companies. This resulted in a 0.6-billion-tolars-lower depreciation in comparison with the depreciation forecasted in the regulatory framework. The deviations also occurred in the cases of the costs for operation and maintenance. The deviations were mainly compensated for with other revenues, which the Energy Agency did not consider in the regulatory framework. It was established that the extent of the economic plans of the companies varied a lot, as some companies prepared these plans in detail, while others presented their expected operations in 2003 with just basic data. In the economic plans regarding regulated activities, the companies expected a 137.5-million-tolars-lower result than was included in the regulatory framework.

When analysing the economic plans it has to be remembered that it is not the aim of the regulator to interfere with the micromanagement of the companies, as well as the fact that the companies should not exceed the costs determined by the Energy Agency, and consider them at least within the three-year regulatory period. In a similar way the incentive-based regulation carried out by the Energy Agency does not mean that the companies have an automatic right to obtain a possible positive difference in the revenue from the network fee, which the companies might realise in individual years of the regulatory period. The Energy Agency will consider the above-mentioned deviations when determining the regulatory framework for the next regulatory period.

2.3.1.1.2 An analysis of the operations of the regulated companies in the period January-June 2003 and January-September 2003

In 2003 the Energy Agency established, on the basis of the data regarding the operations of the regulated activities, how the companies adapted their operations to the new system of economic regulation. The Energy Agency required from the regulated companies the data on operating in the period January-June 2003 and January-September 2003.

When analysing the operations of the regulated companies the Energy Agency thoroughly examined the revenues and expenditure associated with the provision of regulated activities, as well as the operation of other activities. Because of the possibility of cross-subsidising among the activities within individual companies, the Energy Agency drew attention to the urgency of dealing with the problem of losses in the public service of supply to tariff customers, as it could happen that the funds allocated for the development, i.e., investments, would be used for some other purpose. The consequences might be reflected in the poorer quality and reliability of the electricity supply. The financial results of the regulated activities in the period January-September 2003 show a profit of 2.5 billion tolar. None of the companies for regulated activities made a loss in this period.

2.3.1.1.3 An analysis of realising investments in the period January-September 2003

When monitoring the realisation of the operation of the regulated companies, the Energy Agency carried out two reviews of investment realisation in the first year of the regulatory period 2003-2005.

In the first half of the year an analysis of the use of the funds allocated for the investments by individual companies was carried out. It was established that the use of the funds did not follow the expected amounts. The investments were realised to a significantly smaller extent than forecasted in the annual plans. One of the reasons for this was the procedure of carrying out the public works at the beginning of the year. In November a repeated analysis of the use of the funds allocated for the investments by individual companies was carried out for the period of the first nine months of the year. In this period the use of the funds still did not follow the forecasted amounts; however, from experiences in recent years it is clear that the dynamics of the investment is the most active in the final months of the year.

The Energy Agency did not independently determine the amount of required investments and the mode of financing, but it carried out the realisation of investments, together with individual regulated companies on the basis of the Consulting Document. For 2003 the regulated companies considered in their economic plans the starting points regarding the investments included in the regulatory framework. With the expected funds an optimum development of the electricity network and an increase in the reliability and quality of supply to electricity users should be ensured. The investments in the transmission were, for 2003, planned to amount to 5,015 million tolar, and in distribution, 16,894 million tolar: a total of 21,909 million tolar.

2.3.1.1.4 Monthly monitoring of the quantity-and-value realisation of the use-of-network price (UNP)

The Energy Agency carried out monthly analyses of the amount of electricity used on the basis of the invoiced realisation, and consequently the realisation of the planned revenues from the network charge and other elements of the UNP. For this purpose the Energy Agency prepared computer applications for monitoring the electricity consumption by specific voltage levels and consumption groups. In the analysis the Energy Agency identified deviations of the actual realisation from planned realisation and its reasons.

2.3.1.1.5 Reports relating to the realisation of revenues from the use-of-network price (UNP)

The records of quantity and value realisation allowed the completion of regular reports and analyses. Half-year and nine-month analyses of the revenues for individual companies of regulated activities by individual elements of the UNP were completed. The revenues allocated for the transmission, distribution, ancillary services, preferential dispatch, contract recording and the Energy Agency's operation were analysed.

In October an assessment of the total-year revenues from the UNP was made. This assessment considered different scenarios of electricity use by the end of the year. All the scenarios showed a realisation of income that was larger than expected, mainly due to an increased consumption of electricity and measured power than expected in the plan for 2003. The consumption of electricity in 2003 was, in comparison with the expected consumption, 1.5 percent higher, and the customers were, in 2003, charged for about 1 percent more power than expected in the plan. A larger consumption of electricity than was planned caused an approximately 2-percent higher revenue from the network charge. In proportion to the increased consumption, the planned revenues for all the UNP elements were also exceeded.

On the basis of the established increase in the amount of electricity used in 2003, in comparison with the consumption in the regulatory framework for 2004, a new estimation of the electricity consumption for 2004 was made. This estimation was higher, by 0.7 percent, than the planned consumption for this year.

2.3.1.1.6 Setting the average costs for making connections

In 2003 one of the most important tasks of the Energy Agency was determining and publishing the average costs of connecting to the network, which the Energy Agency sets in accordance with the Ordinance Regarding General Conditions for the Supply and Consumption of Electricity.

In January 2003 the Energy Agency prepared the grounds for setting the average costs of connecting to the electricity network and the correction factors for various consumption groups. The Energy Agency published the average costs of connecting to the network in the Official Gazette of the Republic of Slovenia, No. 11/2003, in the form of a Decision on Setting the Average Costs of Connecting New Network Users and Increasing the Connected Capacities of the Existing Users, which came into force on 1 March 2003.

2.3.1.1.7 An analysis of the revenues from the average costs of connecting to the network

On the basis of the data of the distribution companies, a half-year analysis of the revenues from the average costs of connecting customers to the network was completed, separately for each distribution company. The results of the analysis show that, taking into account the number of already-issued electricity consents and the dynamics of connecting new customers to the network, it is realistic to expect that the financial means allocated in the regulatory framework will be realised in the expected amounts for all the distribution companies.

2.3.1.2 ADJUSTMENTS IN PRICES IN THE REGULATORY PERIOD CARRIED OUT IN THE COURSE OF THE YEAR

2.3.1.2.1 An analysis of the costs of operation and maintenance for the regulated activities of the distribution companies in 2002

The Energy Agency carried out a comparative analysis of the costs for the operation and maintenance of the regulated activities for the distribution companies on the basis of the data for 2002 and using the existing tools. The original comparative analysis, whose results were taken into account when determining the improved productivity of individual companies in the first regulatory period, was carried out with the data from 2001 for the period January-June 2002. As in 2001 the separate accounting for individual activities was only being introduced, there were doubts associated with the accuracy of the data used in the original comparative analysis. For this reason the Energy Agency carried out a new comparative analysis using more accurate data. For the comparative analysis of regulated activities it was necessary to obtain additional data, the handling of some of which had to be unified by the companies (because of the unified handling of the costs associated with the reading of meters at qualified producers, the companies prepared nominal costs in the framework of the Economic Interest Association).

The results of the new comparative analysis of the costs relating to operation and maintenance of the regulated activities of distribution companies differ, as had been expected, from the results of the comparative analysis carried out in 2002. The new results were then taken into account when preparing the proposal for the network charges for 2004 in the document called the Adjusted, Explained and Justified Proposal for Obligatory Starting Points for the Contracts Regarding Access to the Transmission Network for 2004.

2.3.1.2.2 Starting points for the contracts regarding the access to the transmission network for 2004 and the correction factors for 2004

In October the Energy Agency prepared the Adjusted, Explained and Justified Proposal for Obligatory Starting Points for the Contracts Regarding the Access to the Transmission Network for 2004. The proposal was prepared on the basis of the regulatory framework and the methodology of economic price regulation regarding the transmission and distribution networks for the first regulatory period, 2003-2005.

The adopted model of economic regulation based on the method of price capping has resulted in a requirement for a 15.03-percent annual increase in the network charges (for the transmission and distribution networks), and an additional 2.3-percent increase resulting from the growth of the price index relating to industrial products for the period from August 2002 to August 2003. In the above-mentioned proposal the estimated adjusted revenues of the regulated activities amounted to 62,357 million tolar.

On 30 October 2003 the starting points for making a contract regarding access to the transmission network for 2004 and for the calculation of correction factors for 2004 were communicated to the MESPE, the responsible ministry, to be further submitted to the government of the Republic of Slovenia for its consideration.

Due to the orientations of the government of the Republic of Slovenia, associated with Slovenia's entry into the ERM2, the Energy Agency carried out a number of analyses and calculations with the purpose of determining an increase in the network charges as low as possible with regards to the charges planned in the framework of the regulatory period. It prepared the Adjusted, Explained and Justified Proposal for Obligatory Starting Points for the Contracts Regarding the Access to the Transmission Network for 2004, in which new facts were considered (an increased consumption of electricity in 2003 with regard to the expected consumption) and all the reserves (the difference between the planned and assessed revenues in 2003, decreased depreciation in distribution companies for the purpose of adjusting different depreciation levels, etc.) that could be considered when calculating the balanced revenue.

In this proposal, sent to the responsible ministry on 2 December 2003, the estimated balanced revenue from the network charge was 61.2 billion tolar; the expected increase in the network charge for the transmission network was 3.72 percent lower than the previous proposal, and 3.99 percent lower in the case of the distribution network.

At its meeting on 16 December 2003, the government of the Republic of Slovenia adopted a decision, on the basis of which the Energy Agency prepared a new proposal for an increase in the network charge by 3.5 percent, that was also submitted to the government of the Republic of Slovenia.

In the process of preparing the above-mentioned proposals for network charges, the Energy Agency participated at several meetings held at the MESPE, the Ministry of Finance, the Ministry of the Economy, and the Institute of the Republic of Slovenia for Macroeconomic Analyses and Development.

2.3.1.2.3 The price for ancillary services

To ensure the required conditions for the operation of the electric power system, the Energy Agency annually determines the amount of financial means for the ancillary reserves that the operator of the transmission network needs when making the contracts. In addition, the Energy Agency determined the mode of searching for and collecting the bids of the production companies for the secondary control of frequency and power, tertiary control and minute reserve, control of voltage and reactive power, and the black start. For the purpose of providing these ancillary services in 2003, the Energy Agency determined the mode of their financing at the end of 2002 in Article 12 of the Rules on the Amendments and Supplements to the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs.

When preparing an estimation of the required reserve for 2003, the network operator considered the requirements for the secondary reserve of 80 MW and the tertiary reserve of 600 MW needed for the largest production block in the country. The largest block is considered to be the whole of the Nuclear Power Station, Kr_ko (henceforth referred to as the NPSK). At the beginning of the second quarter an agreement among the NPSK partners was completed successfully. Directly with this decision the requirement for tertiary reserve power was amended, which under the new conditions represented a halving of the tertiary reserve power. The operator of the transmission network of Elektro-Slovenija, d. o. o., needed, from the end of May to the end of the year, 340 MW less reserves, which had a positive effect on the estimated costs that the Energy Agency sets in the form of the price for ancillary services. The Energy Agency maintained the price that the electricity customers will pay for ancillary services in 2004 at the same level as in 2003. This amounted to a 2-percent higher revenue from the ancillary services, based on an annual increase in the calculated power for the customers. The Energy Agency monitored the revenue from the ancillary services on a monthly basis and it coordinated the method of annual contract making in terms of the leasing of the ancillary reserves with the network operator.

Considering the fact that in Slovenia the conditions for the development of the ancillary-services market are not met, the Energy Agency reset the mode of price control for ancillary services in the amended Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs, which was issued at the end of 2003. This mode of price control is based on the transparency of the allocation procedures and does not yet apply market-based principles to ancillary services.

2.3.1.2.4 Preferential dispatch for qualified producers

The Energy Agency annually monitors the implementation of due procedure of preferential dispatch for qualified producers, which is regulated by the Ordinance Regarding the Rules on Setting the Prices for Purchasing Electricity from Qualified Producers, in the part relating to price setting, which was issued in 2002. On the basis of the adopted decision of the government of the Republic of Slovenia, the Energy Agency included in the use-of-network price the part of the purchasing price that all customers in Slovenia pay. The supplement for preferential dispatch of qualified producers remains at the same nominal level in 2004 as it was in 2003.

2.3.1.2.5 Recording of contracts in the organised market for electricity

Borzen, d. o. o., the organiser of the electricity market, carries out, in accordance with the EA, the mandatory public service, and the government of the Republic of Slovenia annually issues its consent to the tariff for the market organiser's services. On the basis of this consent, the Energy Agency included a supplement in the use-of-network price called the Supplement for Recording the Contracts on the Organised Market. The supplement for 2004 remains at the same nominal level as it was in 2003.

2.3.1.2.6 Statistical monitoring of the use-of-network prices

The Energy Agency also carried out comparative analyses of the total price for the supply of electricity for standardised types of customers. With these analyses it monitors prices and informs the wider public about the level of prices and the relations between the energy price and the use-of-network price in Slovenia. In doing this it uses the statistical method of Eurostat, which includes a comparison among the countries of the EU and the new member states. The Energy Agency included the comparisons of the prices for energy supplied to different types of customers and the comparisons of the network charges in the explanations that were part of the document prepared when making a proposal for an increase in the network charge for 2004, which was written at the end of 2003.

2.3.1.3 PREPARATIONS FOR THE NEW REGULATORY PERIOD

When preparing the new regulatory period, the Energy Agency uses the findings and the results of all the above-mentioned analyses of the implementation of the recent regulatory framework and the analyses regarding the adjustment, in the course of the year, of the prices in a regulatory period. An important part of the preparations is also the setting of the grounds for including the quality element as an additional incentive element that the Energy Agency uses in the process of price regulation.

In the framework of preparation for the new regulatory period, the Energy Agency also studies the events and happenings in the area of regulation in the countries with a functioning electricity market. This is done in the cases of the actual introduction of the market, as well as in the cases of transition from one regulatory period to another.

As the operations of the providers of regulated activities depend on the use-of-network prices, set by the Energy Agency, and these prices have to allow the companies to make adequate revenues for the high-quality and reliable provision of their public services, it is necessary when setting these prices to apply the highest possible standards and transfer the experiences from countries that have already developed their system of regulation. The focus of the Energy Agency's work is, in addition to planning its own models and integrating applicable foreign mechanisms, also the assessment of applicability and upgrading of the foreign models in such a way that they are suitable for the conditions in Slovenia.

With regard to the above-mentioned, the Energy Agency continually studies the happenings and innovations in the area of regulation abroad, mainly with regard to following the characteristics of regulated companies, relations among regulated companies, the efficiency of regulated companies, the quality of services, alternative forms of regulation, the promotion of effective investments, the objectives of legislation, the mode of setting suitable incentives for regulated companies, and the comparisons of experiences of regulators in individual regulatory periods.

2.3.1.4 THE QUALITY OF ELECTRICITY

In the following regulatory period the Energy Agency intends, by considering the quality of the electricity supply, to link individual aspects of quality with the revenues from the network charge. For this purpose, in 2003, a study was carried out called the Quality of Supply: Professional Starting Points, which was prepared by a consultancy company with EU experiences. The study provided the basis for setting the requirements for commercial quality and the basis for the mechanism of regulating the network charge with the supply reliability. The quality of supply with electricity is divided into three categories: commercial quality, continuity (reliability) or supply, and voltage quality.

The Energy Agency made a public call for the interested parties to cooperate in a working group for the completion of the project called Regulation with the Quality of Supply, which then divided into three task forces. Two task forces include five external members, while another includes seven. Each task force had five meetings, at which there were sometimes more than 20 representatives of industrial customers, as well as specialist institutions, universities, companies for the transmission and distribution of electricity, and a representative of the responsible ministry.

The task force for commercial quality determined three general standards that the Energy Agency will monitor and make available to the public. These are as follows:

- the time needed to reconnect the supply of electricity after an unforecasted interruption,
- the time needed for the completion of minor repair works (e.g., replacement of a meter, completion of a new low-voltage connection),
- the time needed to answer a customer's question.

With regard to individual standards that the companies should ensure for every customer, the working group selected the following seven standards:

- the time needed for reconnecting after the payment of a debt,
- the time needed to react to a blown fuse,
- the announcement of the time of a visit of a company representative,
- the time needed for preparing a pro-forma invoice,
- the time needed for solving a complaint about a meter,
- the time needed for solving a complaint about costs or payments,
- the time needed for activating a connection.

If a company does not fulfil individual standards it will be financially "penalised" in such a way that it will be required to carry out its tasks with a discount. In cases of all these tasks, normal conditions are taken into account, which means that there is no force majeure, such as storms, floods etc.

The task force for continuity of supply agreed that the reliability of supply should be monitored with an average number of disconnections (the SAIFI index) and the average duration of a disconnection (the SAIDI index) at the system level.

The task force for the voltage quality found that an increasing number of customers are sensitive to the form of the voltage, especially to short voltage dropouts and harmonics. The task force decided not to look for a connection between the use-of-network price and the voltage quality in this phase, nor to publish the measured and collected data.

All the task forces agreed that the connection between the network charge and the quality of supply should first be tested in conditions when the rules of the price regulation in 2005 will be force, but without financial consequences.

2.3.1.5 CROSS-BORDER TRADING IN 2003

In the area of cross-border trading with electricity, 2003 was an important turning point because, on 1 January of this year, Slovenia became, with Eles's entry to ETSO-CBT settlement mechanism, part of the common European electricity network, where unified and non-discriminatory rules regarding the use of the network for cross-border trading with electricity are in force. A necessary consequence of the entry of the Slovenian system operator to the settlement mechanism was also the change in the tariffs included in the price list for the use-of-networks for trading across the borders of the Republic of Slovenia, which is a constituent part of the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs that the Energy Agency publishes. Thus, the Energy Agency published, on 28 January 2003, the Rules on the Amendments and Supplements to the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs, which was published in the Official Gazette of the Republic of Slovenia, No. 11/2003, on 31 January 2003, and came into force on 1 February 2003.

With regard to cross-border trading with electricity the allocation of non-firm cross-border transmission capacities was also a very important issue in 2003. In February, the Slovenian system operator, Eles, prepared the rules regulating the allocation of non-firm cross-border transmission capacities. On 11 February 2003 the Energy Agency gave its consent to the criteria for the third-party access that the above-mentioned Rules on the Allocation of the Non-Firm Cross-Border Transmission Capacities include.

The representatives of the Energy Agency also participated in the meetings of the Florence Forum of energy operators. This forum adopted, among other issues, the key decisions regarding the ETSO-CBT settlement mechanism for 2004, mainly the decision on repealing the payment of $_0.5$ for each forecasted MWh of electricity flow from one member state of the mechanism to another member state. This change is considered in the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs, published on 30 December 2003 in the Official Gazette of the Republic of Slovenia, No. 134/2003.

Another important event in 2003 was the adoption of the European regulation regarding the third-party access for cross-border exchanges of electricity (Regulation EC No. 1228/2003). Among other issues, this regulation requires that, after its coming into force on 1 July 2004, in the territory of the internal European market for electricity it is only allowed to use the market-based methods of allocating the restricted cross-border transmission capacities. For this reason, the appropriateness of the calls for tenders regarding cross-border transmission capacities for the whole of 2004 became questionable in the last quarter of 2003. The Energy Agency got involved in the discussions regarding these calls for tenders and suggested a solution that was then used in the cases of the calls for tenders regarding the access to transmission capacities for the exports from Austria and the imports from Italy published in November 2003.

In its Article 7 the Regulation No. 1228/2003 includes a novelty that in 2003 was one of the most topical issues regarding cross-border trading – the so-called commercial or trading interconnections. These represent an alternative method of solving the congestion of cross-border paths, where an investor builds, with private capital, a cross-border transmission line and uses these cross-border transmission capacities for its own needs. Such a case is an exception to the rule, as the otherwise universal principle of the third-party access does not apply to a private investor. Slovenia is, due to its proximity to Italy, where the electricity prices are rather high, very interesting with regard to building such interconnections. As this is a new challenge, it generates several questions. The Energy Agency also became involved in the discussions regarding commercial interconnections, and at the end of 2003 commissioned a study called The Influence of Cross-Border Trading with Electricity on the Operations of the Electricity System and the Electricity Market in Slovenia.

2.3.1.6 THE RECS CERTIFICATES AND THE GUARANTEES OF THE ORIGIN OF ELECTRICAL ENERGY FROM RENEWABLE RESOURCES

In 2003 the Energy Agency also carried out two important tasks regarding the promotion of electricity production from renewable energy resources that had not been envisaged in the working programme for this year. In May the Energy Agency initiated the project called Green Certificates, whose purpose was to prepare the Energy Agency to become an issuer of Green Certificates operating within the international Renewable Energy Certificate System (RECS). For the purpose of carrying out the task of an issuer of the RECS certificates, it was necessary to prepare the Domain Protocol for Slovenia, participate in the Association of Issuing Bodies (AIB), publish a call, select a Production Registrar, and prepare the Energy Agency for the operation of the Central Monitoring Office.

The set tasks were realised in their entirety, and the Energy Agency will, in March 2004, formally join the Association of Issuing Bodies responsible for the RECS certificates, so that after this date it will be able to start issuing these certificates. As an issuer of the RECS certificates, the Energy Agency aims to contribute towards a faster development of the market with electricity from renewable sources in Slovenia.

During their involvement in the RECS project, the members of the project group established, while studying European legislation, a large degree of similarity between the RECS certificates and the guarantees of the origin of electrical energy from renewable resources, the issuing of which is required by the European directive on the promotion of electricity from renewable resources (2001/77/EC). It was established that Slovenia would have to set up a system of issuing the guarantees of the origin of electrical energy from renewable resources on the date of its entry into the European Union, i.e., 1 May 2004. The RECS project group was aware of the urgency of this task and in December 2003 suggested an initiation of a new project, whose aim would be to prepare everything necessary for setting the system of issuing the guarantees of the origin of electrical energy from renewable resources. The main tasks of this project will be the preparation of an appropriate legal act (ordinance) and setting an appropriate database, which will support the system of issuing these guarantees.

2.3.1.7 THIRD-PARTY ACCESS

Third-party access is the right of a network user, which is guaranteed by the law, to use the network for the transmission or distribution of electricity under defined and non-discriminatory conditions at an agreed time and for an agreed quantity of electricity. The Energy Agency monitors the third-party access, mainly on the basis of its legally defined tasks relating to dispute settlement arising from the denial of access to the electricity networks.

In 2003 the operation of the Energy Agency regarding third-party access was focused on the access to cross-border transmission paths. All the tasks that the Energy Agency carried out in this field are described in Section 2.3.1.5, called Cross-border trading in 2003. In the field of access to the national transmission and distribution networks there were no changes to the legislation in this year, nor was there any request from the participants in the electricity market for any changes in this area.

2.3.2 Natural gas

2.3.2.1 ACTIVITIES OF THE ENERGY AGENCY IN THE AREA OF NATURAL GAS

On 1 January 2003 the Energy Agency was prepared for the realisation of the tasks in accordance with the EA; in this year the Energy Agency carefully followed and analysed the operations in the market for natural gas in Europe and in Slovenia. It was drafting and preparing the documents regarding the implementation of regulation in the field of natural gas, monitoring and analysing the operations of the companies in the gas sector - mainly in Slovenia, but also in the EU member states and the candidate countries - cooperating with Slovenian and foreign parties in the undertaking of projects regarding natural gas, participating in the procedures regarding public works and carrying out the tasks for the support to the working processes at the Energy Agency, with regard to natural gas.

With its proposals, the Energy Agency also contributed to the adoption of the system-operation instructions that the operator and the provider of a regulated activity of the natural-gas transmission prepared. In May, some employees of the Energy Agency also took part in a workshop about the liberalisation of the market for natural gas in Slovenia, which was organised by Eco Consulting, and gave proposals for the solution of some burning issues in the period of transition from the monopoly situation into a completely liberalised market for natural gas. The Energy Agency also presented its proposals for changes to the EA and the NEP, with regard to natural gas.

At the end of 2003, in accordance with the Ordinance on the Operating Mode of the Public Service of the Transmission of Natural Gas and the Public Service of Operating the Transmission Network, the Energy Agency presented its opinion on the framework conditions for concluding the third-party-access contracts, and with its proposals and opinions contributed to the quality of the proposal for the framework prices and other commercial conditions for the use of the gas transmission network. The framework prices and the commercial conditions are the starting point for calculating the costs of the service of transmission for eligible customers that the provider of the public service of natural-gas transmission prepared.

In the framework of the Phare project SI02/IB/EY-01 TL, the Energy Agency benefited from the knowledge and experiences of international experts in the area of the liberalisation of the market for natural gas. The aim of the project was to prepare the grounds for a proposal regarding the structure of the tariff system for the use of natural-gas networks, the completion of the proposal for the supplements to the draft of the system-operation instructions and the proposal for setting general criteria regarding the eligibility of third-party-access denial. The Energy Agency continuously reviewed questions associated with the opening of the natural-gas market and constructively participated in the preparation of documents.

2.3.2.2 PREPARATIONS FOR THE FIRST REGULATORY PERIOD

In 2003 the Energy Agency began to prepare the grounds for the completion of the methodology for setting the prices for the use of gas networks. The European directive 2003/55/EC stipulates regulated third-party access starting on 1 July 2004.

The Energy Agency established that the methodological principles for setting the prices for the use of networks do not differ with regard to different infrastructural sectors in most of the countries, as a uniform economic legislation is in place. For this reason the Energy Agency believes that the methodology for setting the prices for the use of the gas networks will not be different from the methodology of setting the prices for the use of electricity networks. While preparing this methodology it will be necessary to consider the characteristics and features of individual networks.

2.3.3 Other tasks

2.3.3.1 REPORTING TO EUROPEAN INSTITUTIONS

On the initiative of the European Commission and the MESPE, the Energy Agency completed a questionnaire that laid the foundations for the Third Benchmarking Report, with which the European Commission will carry out a comparison of market structures, energy quantities on these markets, the number and size of companies, the conditions on the markets for electricity and natural gas, responsibilities of institutions, and various other details that are necessary when comparing the operations of different markets.

2.3.3.2 GUIDELINES FOR THE SEPARATION OF ACTIVITIES

In 2003 the Energy Agency began to prepare the rules on the separation and allocation of costs for the different activities of the regulated companies. These rules will be prepared in cooperation with external specialists in accounting, and with the regulated companies for distribution and transmission. The guidelines, whose aim it is to prevent cross-subsidising among different activities, will be issued in 2004.

2.3.4 Control of the energy market

The activities relating to the control of the energy market are only possible with continual monitoring of energy policy, as well as the operations and conduct of the regulated companies on the market.

2.3.4.1 CONTROL OF THE ELECTRICITY MARKET

In 2003 the Energy Agency was heavily involved in preparations for the tasks that it will have to undertake in the area of cross-border trading after the enforcement of the European regulation on the conditions for third-party access regarding cross-border exchanges of electricity (EC Regulation No. 1228/2003). For this reason the Energy Agency continually followed the process of putting this ordinance in place and studied the working versions. Immediately after the adoption of the final version of the regulation, in June 2003, it carried out a thorough analysis of the tasks for which it will be made responsible as the regulatory body as a result of this regulation. The key, new tasks regarding the control of the market in the case of cross-border trading with electricity, which arise from the adoption of this regulation are as follows: involvement in the preparation of the rules for the allocation of free cross-border transmission capacities, control of the procedure for allocating these capacities, and decision making on eligibility in the cases of requests for building commercial cross-border interconnections. In 2003 the Energy Agency also commissioned a study that will answer some of the key questions regarding the influence of the extent of cross-border trading on the Slovenian market for electricity and the influence of possible commercial interconnections with the neighbouring countries on the Slovenian electricity system.

Throughout the year the Energy Agency followed and analysed the happenings in the entire electricity market, with respect to the operating and running of production companies, the operating of distribution companies and the transmission company, which is described in detail in Section 2.3.1.

Several analyses were made in the area of electricity prices; these refer to final prices for electricity as well as to the individual fractions of these prices. When setting the use-of-network prices for 2004 the Energy Agency was mainly establishing the influences of the changes in the network charges on the level of inflation. Thus, the proposed increase in the network charge, starting on 1 January 2004, i.e., an 11.77-percent increase for the transmission network and a 13.87-percent increase for the distribution network - the Energy Agency forecasted such an increase in a published price list - would result in a demand for a 6.3-percent increase in the tariff for households and a 0.2-percent effect on the price index for everyday consumables, i.e., inflation.

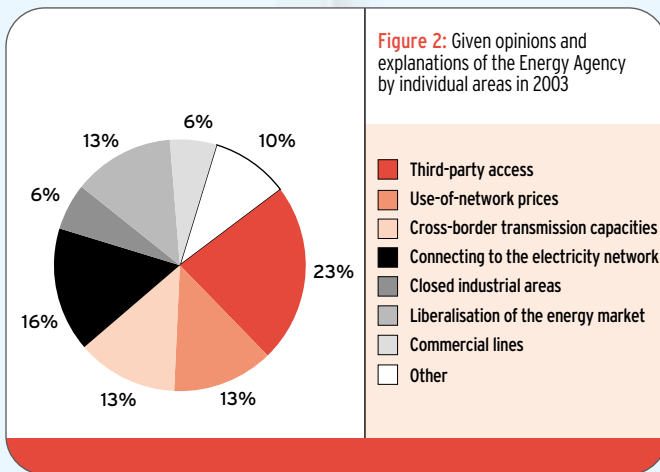
With regard to the control of the operations of the networks in accordance with the quality standards, the Energy Agency continued to select the parameters that it will control so that even in the future opening up of the market the required level of quality will be maintained for the Slovenian customers.

For the purpose of controlling the behaviour of electricity customers that would not be appropriately contractually agreed and recorded, the Energy Agency set up a database based on the concluded contracts on third-party access for transmission and distribution networks.

2.3.4.2 CONTROL OF THE NATURAL-GAS MARKET

The control of the natural-gas market covered a review of the rules that the operator of the gas transmission network has published, and monitoring, as well as analysing possible obstacles for the operation of the natural-gas market. All the set tasks regarding the supervision of the correct operating of the natural-gas market were carried out, and the results showed that in 2003 there were no obstacles or limitations for the operation of the natural-gas market. In 2003 the Energy Agency started activities with respect to quality by recommending which parameters that relate to the quality of natural gas should be set. The monitoring and control of quality in the area of natural gas will be continued in 2004.

In 2003 the eligible customers obtained a legal right to select their gas suppliers in the market, and in this case they were to agree the price for the natural-gas transmission over the transmission network with the provider of the public services of transmission and transmission-network operation. In 2003 there were 19 eligible customers of natural gas that were directly connected to the gas transmission network.



In the past Geoplin was the provider of the public services of the transmission and transmission-network operation, as well as the supplier, and, up till now, it has maintained these two roles within the same legal entity. The data regarding potential agreements on the third-party access and the use-of-network price are not available to the public. According to the details provided by Geoplin, none of the eligible customers changed its supplier in 2003.

In 2003 the Energy Agency did not receive any request for dispute settlement regarding access to the gas transmission network, nor for the mediation in a dispute on the natural-gas market.

2.3.4.3 OPINIONS AND RESPONSES REGARDING INDIVIDUAL QUESTIONS RELATED TO THE ENERGY AGENCY'S RESPONSIBILITIES

With respect to the control of the operations of the market for electricity and natural gas, the Energy Agency, as an independent organisation, also gives opinions and responses regarding individual questions related to its legal responsibilities, acting with the aim to ensure to all the participants a transparent and non-discriminatory operation of the market.

By studying the received requests and questions, the Energy Agency carried out a preventative control of the market operation. By monitoring the problems of individual areas, which the requests for opinions and answers related to, the Energy Agency could identify, in advance, possible problems, and the areas that lack adequate legal regulations, and it could, as a result, carry out activities needed either for changing the current regulations or preparing the new regulations.

In 2003 the Energy Agency gave 31 opinions or answers; most of these, 36 percent (11 opinions or answers) were related to third-party access. Of the given opinions or answers relating to the third-party access, the proportion of those that treated the third-party access as a legal right to use the energy network for the consumption or delivery of an agreed quantity of electricity at an agreed time was as much as 23 percent (7 opinions or answers), while a smaller proportion of the opinions or answers, 13 percent (4 opinions or answers) related to the cross-border transmission capacities. The latter dealt with access to the networks of the neighbouring countries and are, due to their specific nature and legal regulation, presented separately. This is followed by the opinions and answers related to making the connections to the electricity network with a 16-percent share (5 opinions or answers), the opinions and answers related to the use-of-network prices with a 13-percent share (4 opinions), opinions and answers related to the liberalising of the market for electricity and natural gas with a 13-percent share (4 opinions or answers), an opinion and an answer regarding the issue of commercial lines with a 6-percent share (2 opinions or answers), and the opinions or answers regarding closed industrial areas with a 6-percent share (2 opinions or answers). The proportion called "other" includes the opinions and answers that could not be classified in any of the above-mentioned groups, i.e., RECS certificates, the purchasing of electricity from eligible producers, and an answer of the Energy Agency regarding an initiative of a distribution-network operator relating to the introduction of a special tariff for the supply to heat pumps, with a total share of 10 percent (3 opinions or answers).

2.3.5 Settling disputes

Several new legal relations were formed in the area of the markets for electricity and natural gas. The Energy Agency is only responsible for settling the disputes regarding some of the legal relations that are being formed between the network operators and the network users.

2.3.5.1 DISPUTE SETTLING IN ACCORDANCE WITH THE PROVISIONS OF THE EA

The Energy Agency settles disputes on the basis of the provisions of Articles 87 and 88 of the EA and the relevant provisions of the executive regulations.

The Energy Agency may become involved in disputes regarding the following issues:

- the denial of access to electricity or gas networks;
- the specific calculation of the prices for the use of the electricity and gas networks.

The task of settling disputes in the way stipulated by the law is difficult to predict with regard to its extent. The EA obliges the Energy Agency to settle the disputes, in the administrative procedure, that occur between market participants and public-service providers and relate to the third-party access or the calculated use-of-network prices. The Energy Agency guarantees all the market participants a non-discriminatory settling of disputes.

In 2003 the Energy Agency was involved in settling two disputes regarding a denial of access to a distribution network that were based on an appeal against the decision of a distribution-network operator. The third paragraph of Article 27 of the EA stipulates that a network operator may deny third-party access on the grounds of technical or operational restrictions in the network. In this case the operator has to communicate to the concerned customer or electricity producer its reasons for the denial, supported by the appropriate proofs. The refused customer can appeal against the access denial to the Energy Agency. In a legally defined period and in accordance with the provisions of the General Administrative Procedure Act, the Energy Agency settled both disputes with a decision, with which it granted both appeals, repealed the decisions of the distribution-network operator and remanded the cases to the network operator for a review of its decision.

The Energy Agency also settled two disputes that were based on an appeal against two calls for tenders regarding the allocation of cross-border transmission capacities for the electricity imports from Austria and electricity exports to Italy in 2004 that were published by the transmission-network operator. As the calls for tenders were abstract, general acts, not decisions regarding a concrete case, the Energy agency did not have the jurisdiction to decide on the subject of the dispute. As a result, the Energy Agency, acting in accordance with the provisions of the General Administrative Procedure Act, in both cases dismissed the appeals with a conclusion.

At the initiative of three parties, the Energy Agency also investigated the statements of an appeal against a decision of the transmission-network operator regarding the non-firm cross-border transmission capacities for the electricity exports to Italy for the period between 22 March and 31 December 2003. As the Energy Agency, in spite of its requests sent to the network operator, did not receive all the necessary documentation, it could not start the procedure, and consequently decide on the subject matter with a decision or a conclusion due to unfulfilled process requirements, in accordance with the General Administrative Procedure Act. However, it prepared, in the process of examining the statements of the concerned parties, an extensive legal opinion regarding the issue of third-party access and the allocation of cross-border capacities, and also obtained an opinion from an external legal specialist on the mode of deciding on third-party access. This external specialist confirmed the view of the Energy Agency, after which the Energy Agency submitted this documentation to the network operator. The Energy Agency received no information with regard to how the network operator, as the responsible body in the first instance, resolved the appeals.

The Energy Agency settled disputes on the basis of expert knowledge and the activities of the staff authorised to decide within the Energy Agency, and it also obtained the opinions of external specialists. When resolving each individual dispute, the Energy Agency analysed the disputes from a legal and, if necessary, also from economic and technical points of view, established their reasons and, with the purpose preventing future disputes, suggested to the legislator, i.e., the responsible ministry, an appropriate regulation, i.e., the changes to the statutory acts and executive regulations.

2.3.5.2 ALTERNATIVE SETTLEMENT OF DISPUTES

The Energy Agency can mediate in the disputes that are not stated in the EA if both parties involved in the dispute request it. The role of the Energy Agency is limited to mediation in the process of reaching an agreement between the parties concerned.

A concerned party can, at any time, leave the mediation process. If the two concerned parties agree, the concluded agreement between the concerned parties is obligatory. Such dispute settling does not exclude judicial process. In 2003 the Energy Agency did not receive any requests to get involved in disputes as a mediator.

2.3.6 Licensing

One of the tasks of the Energy Agency is to issue licenses on the basis of Article 87 of the EA. In 2003 the Energy Agency issued 89 new licenses for the provision of energy-related activities. The number of issued licenses by activity can be seen in the table below, which also shows the total number of licenses issued by activity up to the end of 2003.

The number of licenses by energy-related activity:		Total issued by the	Issued
		end of 2003	in 2003
1	electricity production in hydro-electric power stations over 10 MW	3	-
2	electricity production in thermoelectric power stations over 10 MW, excluding nuclear power	5	-
3	electricity production in the nuclear power station	1	-
4	electricity production in electric power stations with an individual unit power exceeding 1 MW, and not exceeding 10 MW	27	3
5	electricity production in hydro-electric power stations with an individual unit power not exceeding 1 MW, and electricity production in wind-driven power stations, irrespective of their capacity	356	17
6	heat production for remote heating above 1 MW of heating power	44	3
7	refining oil and oil derivatives	2	1
8	electricity transmission	1	-
9	electricity distribution	37	7
10	transmission and supply of natural gas, and transmission network operation	13	3
11	distribution and supply of natural gas and other energy gases, and distribution network operation	41	5
12	electricity transmission network operation	1	-
13	electricity distribution network operation	12	2
14	storage of fuel gases	15	1
15	storage in liquid-fuel facilities with a capacity of more than 25 tonnes, and in solid-fuel facilities with a capacity of more than 1000 tonnes	47	7
16	electricity supply to non-eligible customers	27	3
17	distribution and supply of heat for remote heating	48	7
18	trading on the organised market for electricity	75	10
19	representing and mediating on the organised market for electricity	48	9
20	organisation of the market for electricity	1	-
21	production, trading and distribution of liquid fuels	63	11
TOTAL:		867	89

Table 2: The total number of issued licenses by types of energy-related activities, up to 31 December 2003, and the number of licenses issued in 2003.

In 2003 two licenses were refused with a negative decision because of unfulfilled requirements and eight license applications were rejected with the issuing of a conclusion.

One conclusion regarding the termination of the procedure due to a withdrawal of the party's application was issued. In 2003 no licenses were revoked and no appeals against the issued decisions and conclusions of the Energy Agency were submitted. The Energy Agency can examine the fulfilment of the requirements for obtaining the licenses of the holders of already-issued licenses, i.e., the fulfilment of requirements regarding the professional qualifications of the staff responsible for the performance of energy-related activities and having the financial means.

The procedures for issuing the licenses are carried out in accordance with the EA, the General Administrative Procedure Act, the Ordinance Regarding the Requirements and the Procedure for Issuing and Revoking the Licenses for Operating the Energy-Related Activities, and other statutory acts and executive regulations.

In accordance with the legislation, the Energy Agency continually runs a register of issued and revoked licenses. In the framework of the register the book of issued and revoked licenses, which is public, is continually updated. The list of granted and revoked licenses is also published on the Energy Agency's web page: www.agen-rs.si. Due to changed facts, stated in the register of issued and revoked licenses, the Energy Agency issued five conclusions regarding the entry of notes on the changes in 2003.

To provide information about obtaining licenses, the Energy Agency has opening hours on Monday, Wednesday and Friday, between 9am and 12 noon, and on Wednesday between 2pm and 4pm. Interested parties can obtain information that is not included in the Energy Agency's web pages on the basis of a telephone conversation, written requests, or personal visits.

The Energy Agency continuously follows the changes in legislation related to license-granting, and it also follows the licensing activities in other countries. The Energy Agency has prepared a proposal for the amendments to the Ordinance Regarding the Requirements and the Procedure for Issuing and Revoking the Licenses for Operating the Energy-Related Activities, which takes into account the changes to the standard classification of activities, the new ordinance relating to the type, extent and requirements regarding the operation of supplementary activities on a farm, and minor changes regarding the required qualifications of the staff responsible for performing specific energy-related activities. The Energy Agency sent its proposal for the amendments to the responsible ministry. Due to the changes regarding this area and the amendments to the EA that will be realised in 2004, several adjustments and amendments to the ordinance will be necessary.

2.3.7 The area of legislation

2.3.7.1 PARTICIPATION IN THE PREPARATION OF THE EA AMENDMENTS

In 2003 the Energy Agency actively participated, to the best of its abilities, in the procedure for preparing a proposal of the amendments to the EA, and sent its proposals and comments to the officials responsible for the completion of the new version of this act. In doing this, the Energy Agency took into account mainly the EU legislation (directives and regulations), and focused on the areas of the Energy Agency's operations and tasks, supply with electricity and natural gas, cross-border trading, third-party access, realisation of the activities of public services, issuing licenses for carrying out energy-related activities and cooperation with the responsible inspection services.

2.3.7.2 ACTS ISSUED BY THE ENERGY AGENCY

2.3.7.2.1 Rules on the Amendments to the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs

On 28 January 2003 the Energy Agency issued the Rules on the Amendments to the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs, which was published in the Official Gazette of the Republic of Slovenia, No. 11/03. These rules changed the use-of-network prices for cross-border trading with electricity included in the previously valid price list. The changes were a result of the entry of the Slovenian transmission-network operator into a unified European system of calculating and settling the costs associated with the use of transmission networks in the case of cross-border trading with electricity.

2.3.7.2.2 Decision on Setting the Average Costs for Connecting New Network Users and for Increasing the Connected Capacities of the Existing Users

On the basis of the first paragraph of Article 84 and Article 87 of the EA, and on the basis of the Ordinance Regarding General Conditions for the Supply and Consumption of Electricity that the government of the Republic of Slovenia passed at the end of 2003, the Energy Agency issued, on 31 January 2003, the Decision on Setting the Average Costs for Connecting New Network Users and for Increasing the Connected Capacities of the Existing Users, published in the Official Gazette of the Republic of Slovenia, No. 11/03. The ordinance passed by the government of the Republic of Slovenia and the decision issued by the Energy Agency came into force on 1 March 2003. The Energy Agency set the average costs for connecting customers by applying the postage-stamp method and divided them into four groups: household customers, customers on the 0.4 kV voltage, customers on the medium voltage of 1-35 kV, and customers on the high voltage of more than 35 kV.

2.3.7.2.3 Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs

On 12 December 2003 the Energy Agency passed the new Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs that was published in the Official Gazette of the Republic of Slovenia, No. 134/03, and came into force on 1 January 2004. The new rules were necessary for the purpose of harmonising the content and the terms with the current legislation, and for the purpose of regulating the relations between the electricity customers that pay the use-of-network price and the network operators obliged to allow the users access to the networks and use them at the prices that are set in advance. The proposal for the rules was available for public discussion on the Energy Agency's web pages from 14 to 28 November 2003. The Energy Agency received about one hundred comments and suggestions to the proposal that were, to a large extent, taken into account during the preparation of the fair copy of the document.

2.3.7.3 ACTS THAT WERE NOT ISSUED BY THE ENERGY AGENCY

In February 2004 the Energy Agency gave consent to the criteria for the third-party access that Elektro-Slovenija, d.o.o., the transmission-network operator, determined in the Rules on the Allocation of the Non-Firm Cross-Border Transmission Capacities.

In June 2003 the Energy Agency gave consent to the amendments to Articles 53 and 54 of the Rules on the Mode, Requirements and Criteria for Third-Party Access to Cross-Border Transmission Capacities, and in October 2003 it also gave consent to the amendments to the rules prepared by Elektro-Slovenija, d.o.o.

In December 2003 the Energy Agency submitted its opinion regarding the framework conditions for concluding third-party access contracts for 2004 to the MESPE, on the basis of Article 24 of the Ordinance Relating to the Operating Mode of the Public Service of the Transmission of Natural Gas, and the Public Service of Operating the Transmission Network (the Official Gazette of the Republic of Slovenia, Nos. 8/01 and 11/01). The Energy Agency also studied the document called Framework Prices and Other Commercial Conditions for the Use of the Gas Transmission Network with respect to the appropriateness of the content regarding the framework conditions.

The Energy Agency followed the preparation of the proposal of the Ordinance Regarding the Requirements and the Procedure for Issuing and Revoking the Licenses for Operating the Energy-Related Activities. It submitted its views and suggestions regarding the amendments to the ordinance to the officials preparing this act. The amendments to the Ordinance Regarding the Requirements and the Procedure for Issuing and Revoking the Licenses for Operating the Energy-Related Activities were not realised in 2003 due to the expected amendments and supplements to the EA.

The Energy Agency followed the preparation of the NEP. In September 2003 it submitted its views and suggestions to the MESPE, on the basis of an invitation to cooperate published on the MESPE's web page.

2.3.8 International projects and cooperation

2.3.8.1 THE PHARE PROJECT: LIBERALISATION AND REGULATION OF THE ENERGY SECTOR

The Phare project twinning SI2000/IB/EY-01 lasted from August 2002 to 23 September 2003. The twinning partner was the regional energy regulator of the Spanish region, Castilla y León. Most of the project work was realised in 2003. Throughout the time of the project, an adviser on pre-accession issues was present at the Energy Agency, who was, with his work, partly supporting the Energy Agency's work, and partly organising and preparing specialist project visits, as well as preparing the drafts of the documents. He was helped by an assistant.

The content of the activities that were carried out in the framework of this project was as follows:

- preparation of the energy market, analyses and results of its operation in the EU and in Slovenia;
- liberalisation and deregulation of the electricity and natural-gas sector in Slovenia;
- further regulatory activities and their implementation on the market for electricity and natural gas;
- regulation of the use-of-network prices including third-party access, cross-border transmission paths and the quality of electricity.

During the year, the staff responsible for carrying out the Phare project prepared several educational presentations, and the presentations of individual project phases, at which the Energy Agency was intensely involved. Six project visits were organised in Slovenia, at which twelve specialists from different areas presented their experiences and recommendations in the form of workshops, in which several employees of the Energy Agency were also involved. In addition, these specialists also prepared documents, in which they justified their recommendations and, in most cases, assessed their results. The activities of this project were mainly focused on the market for and supply of electricity. Its final report was approved by the European Commission. The partial results of the project were also assessed in the Report on the Evaluation of the Phare Projects that was issued by the EMS Consortium. The project received the highest marks for all aspects of the assessment.

In the framework of this project, a group of the Energy Agency's employees visited the Spanish national energy regulator ,CNE, a regional energy regulator, EREN, a few important regulated companies (for transmission and distribution), and a park of wind-driven power stations.

The visiting specialists established that Slovenia had developed its electricity market in accordance with the legal order of the EU, and that its market is compatible with the internal market of the EU. They also concluded that the Energy Agency, as the regulatory institution, successfully realised its contribution to market operation using, mainly, the approaches, methods and modes of work comparable with the activities of similar institutions in the EU countries. In their recommendations, the visiting specialists thus mainly stated the guidelines, possibilities and proposals regarding the continuation and upgrading of the Energy Agency's activities.

2.3.8.2 THE PHARE PROJECT: LIBERALISATION OF THE MARKET FOR NATURAL GAS

The Phare project SI02/IB/EY/01 - TL was carried out in the form of a short Twinning Light lasting from December 2002 to May 2003. The twinning partner was the Spanish national energy regulator, Comisión nacional de energía (CNE). Most of the activities were carried out in the form of expert project visits and workshops held at the Energy Agency's premises. There were eight project visits, including seven project workshops held in Slovenia, and a visit to Spain. The staff of the Energy Agency participated in the workshops, and in one case the representatives of the Ministry of the Environment, Spatial Planning and Energy were involved as well. The recommendations of the experts were used in the discussion regarding the act regulating the operation of the gas transmission system (SON).

In addition, the experts prepared the documents including the recommendations regarding conceptual issues of regulating the natural-gas market, and third-party access, as well as a few guidelines for the work regarding the prices for the use of gas networks. The final report was approved of by European Commission. The partial results of the project were also assessed in the Report on the Evaluation of the Phare Projects that was issued by the EMS Consortium. The project received the highest marks with regard to all the assessment aspects.

The visiting specialists established that the natural-gas market in Slovenia was still at the beginning of its development, and that the Energy Agency's work, realised so far in the concerned area, was done well. In their recommendations, the visiting specialists stated their suggestions regarding the continuation and upgrading of the Energy Agency's activities.

2.3.8.3 THE NEW PHARE PROJECT: THE REGULATORY FRAMEWORK IN THE PROCESS OF THE OPENING OF THE INTERNAL ENERGY MARKET IN SLOVENIA

The Phare project SIO202.02, The regulatory framework in the process of the opening of the internal energy market in Slovenia, will be carried out in the form of technical assistance (TA). In 2003 the Energy Agency completed several phases required prior to the selection of an operator, in a two-round procedure, of a public commission at the EU level: the announcement of the project in the media, the invitation to tender, and the preparation of a shortlist including eight candidates that were sent the project documentation. The bids were submitted by the end of 2003.

The content of this project is an upgrade of the previous projects, the follow-ups of the analyses and recommendations mainly in the technical, economic and legal areas. The Energy Agency transferred into this project most of the study tasks that it ought to have otherwise financed by itself. Taking into account that top-level EU experts applied for this project, the Energy Agency has reasons to believe that the results of the investigative and analytical activities will provide a significant support to the Energy Agency's work. In addition to the direct support and the realisation of expert activities, the project also guarantees the transfer of specialist knowledge and the experiences of other regulators to Slovenia.

2.3.8.4 FORUM OF REGULATORS FOR NATURAL GAS IN MADRID

By participating at the forum of regulators for natural gas, organised at least once per year in Madrid, the Energy Agency follows the preparation of documents that are of the utmost significance for the common regulatory practice in the EU. The forum of regulators amended The Instructions for Good Practice including the principles and guidelines for the operations of the regulators. The documents and view points of the Madrid forum also have a significant impact on the understanding and acting of the European Commission when preparing its own initiatives and proposals for instruments at the EU level. With its entry into the EU, Slovenia will also become a full member of this forum, which will, in addition to the establishment of Slovenia, also allow an active involvement and the promotion of Slovenian interests.

The most important results of the recent meetings of this forum and the decisions passed by the forum are a significantly increased transparency regarding the capacities and utilisation of networks, and access to data about the network utilisation, the quality of gas and the reliability of supplies. Unlike the electricity market, the market for natural gas generally accepts the fact that some limitations to the market operation are acceptable, i.e., long-term supply contracts, which leads to a market that is not entirely open.

2.3.8.5 FORUM OF REGULATORS FOR THE ELECTRICITY MARKET - THE FLORENCE FORUM

This forum was established by the European Commission in 1998. Its meetings are organised on a half-yearly basis in Florence, bringing together the representatives of national regulators, governmental representatives, operators, users, traders, and exchange representatives. The forum deals with the issues that are not determined in details within the European directive. After its latest meeting, the forum expedited the planned activities regarding the unification and further development of the methodology of the settlement mechanism in the case of cross-border tariffs.

Otherwise, the forum pays most attention to the harmonisation of national tariff systems, and the allocation of restricted cross-border transmission paths. The aim of the harmonisation of the national tariff systems and the implementation of the localised indicators is to obtain long-term localised indicators regarding the costs for the use of networks. The payment of the prices for obtaining the transmission paths in the case of congestion (e.g., auctions for the allocation of cross-border transmission paths) ensures the short-term signals, while the long-term signals relate to the provision of the funds for new investments into transmission and production facilities. The purpose of this process is to implement the mode of payments, according to which the producers from the countries that are net exporters will pay a higher use-of-network price, as they cause larger cross-border energy flows. An additional aim is also to equalise the conditions for producers throughout Europe, as at the moment only producers in some European countries pay the use-of-network price. An obstacle to the operation of a unified European electricity market is also the fact that countries have different connection charges for the connection of new producers (some countries have them, others do not); further obstacles are represented by different modes of taxation, different approaches to the promotion of the environment-friendly production resources, etc.

2.3.8.6 PARTICIPATIONS AT THE CEER, ERRA, SEEERF AND ERGEG

Since its establishment, the Energy Agency participates in international organisations and processes associated with the tasks of energy regulators.

In the Council of European Energy Regulators (CEER), the Energy Agency has the role of an observer; it has been invited to the meetings in Florence and Madrid since 2001. In 2003 the preparations for the entry into the CEER were in progress. The Energy Agency's employees took part in a seminar organised for the accession members; and the Energy Agency also has partial access to the documents of the working groups. Its joining the working groups is expected to be realised after Slovenia becomes a full member of the EU and is accepted into the CEER.

In the Energy Regulators Regional Association (ERRA), the Energy Agency remained an observer; in this way it becomes acquainted with all the events and meetings, which it can also participate at. However, the Energy Agency's active cooperation would be too demanding, and would, with regard to the effects, require too much time and financial means, as the issue of regulation in South East Europe is not yet comparable with the conditions in Slovenia.

Neither did the Energy Agency did not establish its active involvement in the South East Europe Electricity Regulatory Forum (SEEERF). Slovenia is, together with Austria and Hungary, an observer, as it is already a member of the ETSO mechanism and involved in the international energy exchange. The Energy Agency takes the opportunity of its presence at the SEEERF to exchange information and to prepare for its further activities.

On 15 November 2003 the European Regulators Group for Electricity and Gas (ERGEG) was established under the patronage of the European Commission. The group includes the representatives of the European energy regulators, acting in close cooperation with the CEER and with the professional and technical support of the European Commission - the Directorate for Energy and Transport. After Slovenia's entry into the EU, the Energy Agency will become a full member of the CEER and ERGEG.

2.3.9 General area

In 2003 the internal operation and the transparency of the Energy Agency's tasks were further upgraded. The organisation of its clerical activities and the handling of the archives, including the archiving of the documents in accordance with the Ordinance Regarding Clerical Operations and the Obligations of Administrative Bodies with regard to Archives, was improved. For this purpose, the Energy Agency set up, in 2003, a computer-assisted register of all the activities, which allows the monitoring of the Energy Agency's activities with regard to their content and their deadlines.

The preparations for the computer-assisted management of the register of the small-value projects with was also carried out and it will be set up in the first half of 2004.

The internal library, which is a full member of the COBISS national cataloguing system, has an important role with regard to the operation of the Energy Agency. In addition to enjoying the benefit of having access to the documents from all the 273 Slovenian libraries and from the libraries abroad by using interlibrary loans, the Energy Agency's library has its own stock of books and periodicals. In 2003, a total of 96 new books were added to the library stock; the number of periodicals was increased as well, so that there are now 36 periodicals (Slovenian and foreign), and two electronic periodicals. The staff electronically receive the content pages of the issues of the Official Gazettes of the Republic of Slovenia, and the Bulletin of the National Assembly of the Republic of Slovenia; and the circulation of the magazines is set up as well. The library also stores the studies and other internal documents produced by the Energy Agency, as well as the annual reports of other institutions.

2.4 The achievements of the set objectives

In 2003 the Energy Agency realised the set objectives, with the exception of the tasks listed in Section 2.4.6.

2.4.1 Descriptive and physical indicators

The two descriptive indicators of the success of the Energy Agency's operation are primarily the time- and content-related adequacies of the tasks carried out on the basis of the legal provisions. The time-related adequacy represents the response time of the Energy Agency, which has to consider the deadlines defined by the legislation, especially in the cases of decision-making, e.g., in the administrative procedures. The parameter of this adequacy includes the number of procedures that might have been finished after the deadline defined by the legislation, and seriousness of the justifications regarding the reasons for the delays.

The content-related adequacy of the Energy Agency's tasks carried out on the basis of the legal provisions mainly refers to the setting of the use-of-network prices. One of the main objectives of the Energy Agency is the implementation of the direction, according to which the costs for the operations of the regulated activities regarding transmission and distribution gradually decrease, while the reliability and quality of the supply and services are continually on the increase. The parameter of this adequacy is the answer to the question whether the trends of the costs for the above-mentioned activities are in accordance with the set regulatory framework, made clear in the annual reports of the companies carrying out these activities.

The assessment based on the first indicator is good, because, in the administrative procedures carried out in 2003, the Energy Agency respected the deadlines stipulated by the legislation and finished the procedures without delays.

The assessment based on the second descriptive indicator has not yet been made possible, as the results, i.e., the decrease of the, mainly, operational costs will only be clear from the annual reports that are not yet available.

The Energy Agency has established that it fulfilled the tasks stipulated by the legislation, and whose content is described in Section 2.3. Among other things, it has done the following:

- issued one hundred license decisions or conclusions;
- issued four decisions or conclusions in an administrative procedure, in the framework of dispute settlement;
- in accordance with the responsibilities stipulated by the EA and the executive regulations, issued three consents or opinions (a consent to the criteria for third-party access, a consent to the amendments of Articles 53 and 54 of the Rules on the Mode, Requirements and Criteria for Third-Party Access to Cross-Border Transmission Capacities, an opinion on the framework requirements for concluding the third-party access contracts);
- by the end of 2003, communicated the suggestions and comments regarding the proposal for the amendments and supplements to the EA, of which one case included the suggestions for the amendments to the existing act, and the other two cases included the comments to the proposed amendments and supplements – a total of about one hundred comments;
- issued 31 opinions regarding an initiative or a request of various market participants;
- issued a decision on setting the average costs for making a connection to the electricity network;
- prepared, harmonised and published the amended and supplemented Rules on the Eligibility of Costs;
- carried out two international Phare projects, and completed all the preparations for the selection procedure for a new Phare project, as well as carrying out this selection procedure;
- published the Report on the Work of the Energy Agency and the Situation in the Energy Sector for 2002;
- informed the public about the happenings on the electricity market in Slovenia and in the EU by organising a two-day international conference;
- in 2003, thirteen employees of the Energy Agency participated at various events – meetings, conferences, seminars and consultations – in Slovenia and abroad. At these events they gave as many as 36 talks to Slovenian and international audiences. With their contributions, they helped spread the knowledge about various aspects of the processes of opening the market for electricity and natural gas, the role of the energy regulators, and about specific topics regarding electricity and natural gas.

2.4.1.1 FINANCIAL INDICATORS

in thousands of tolar

Accounts	Name of the account	Realisation of the FP 2002	Financial plan 2003	Realisation of the FP 2003	Realisation index 03/ FP 03	Realisation index 03/ realisation 02
	I. TOTAL REVENUES (70+71+72+73+74)	355,481	444,154	457,397	103.0	128.7
	CURRENT REVENUES (70+71)	355,481	440,903	457,388	103.7	128.7
70	TAX REVENUES					
71	NON-TAX REVENUES	355,481	440,903	457,388	103.7	128.7
710	PARTICIPATION IN PROFIT AND INCOME FROM PROPERTY	7,156		5,265		73.6
7100	Rev. from participation in profit and divid. of public companies					
7101	Rev. from participation in profit and divid. of state companies					
7102	Revenues from interests	7,156		5,265		73.6
7103	Revenues from property					
713	REVENUES FROM THE SALES OF GOODS AND SERVICES	1,969		10,894		553.3
7130	Revenues from the sales of goods and services	1,969		10,894		553.3
714	OTHER NON-TAX REVENUES	346,356	440,903	441,229	100.1	127.4
7140	Other voluntary contributions for social security					
7141	Other non-tax revenues	346,356	440,903	441,229	100.1	127.4
72	CAPITAL REVENUES			9		
73	GRANTS					
74	TRANSFERRED REVENUES		3,251			
740	TRANSFERRED REVENUES FROM OTHER PUBLIC-FINANCE INSTITUTIONS		3,251			
7400	Funds received from the state budget		3,251			
7401	Funds received from the local-community budgets					
7402	Funds received from social-insurance deposits					
7403	Funds received from other public deposits					
	II. TOTAL EXPENDITURE (40+42)	416,261	444,154	319,815	72.0	76.8
40	CURRENT EXPENDITURE	263,660	328,704	305,191	92.8	115.8
400	SALARIES AND OTHER EXPENSES FOR THE EMPLOYEES	112,904	158,221	144,617	91.4	128.1
4000	Salaries and allowances	103,464	144,761	131,489	90.8	127.1
4001	Vacation bonuses	2,265	3,040	2,862	94.1	126.4
4002	Reimbursements and remunerations	4,306	7,706	5,788	75.1	134.4
4003	Performance-related bonuses	2,062	2,574	2,679	104.1	129.9
4004	Overtime expenditure	804		1,428		177.6
4005	Salaries arising from contracts with non-residents					
4009	Other expenses for the employees	3	140	371	265.0	12.366.7
401	EMPLOYER'S CONTRIBUTIONS FOR SOCIAL SECURITY	17,444	24,385	22,137	90.8	126.9
4010	Contributions for pension-and-disability insurance	9,589	13,437	12,168	90.6	126.9
4011	Contributions for health insurance	7,682	10,711	9,749	91.0	126.9
4012	Employment contributions	65	89	83	93.3	127.7
4013	Contributions for maternity/paternity leave	108	148	137	92.6	126.9

in thousands of tolar

Accounts	Name of the account	Realisation of the FP 2002	Financial plan 2003	Realisation of the FP 2003	Realisation index 03/ FP 03	Realisation index 03/ realisation 02
402	EXPENSES FOR GOODS AND SERVICES	133,312	146,098	138,437	94.8	103.8
4020	Office consumables, general goods and services	46,635	36,004	35,329	99.1	75.8
4021	Special goods and services	41				
4022	Energy, water, public-utility service, and telecommunications	6,283	8,160	8,631	105.8	137.4
4023	Commuting allowance and transport service	1,878	3,000	3,077	102.6	163.8
4024	Expenses for business travel	12,071	16,400	15,378	93.8	127.4
4025	Current maintenance	726	2,200	1,866	84.8	257.0
4026	Rents and leasings	35,700	39,860	33,866	85.0	94.9
4027	Fines and compensations					
4028	Payroll tax	8,847	12,889	12,198	94.6	137.9
4029	Other operational expenditure	21,131	27,585	28,092	101.8	132.9
42	INVESTMENT EXPENDITURE	152,601	115,450	14,624	12.7	9.6
420	PURCHASE AND CONSTRUCTION OF FIXED ASSETS	152,601	115,450	14,624	12.7	9.6
4200	Purchase of buildings and premises					
4201	Purchase of means of transport					
4202	Purchase of equipment	26,245	18,450	10,203	55.3	38.9
4203	Purchase of other fixed assets	95	1,000	637	63.7	670.5
4204	New-construction, reconstruction and refurbishment projects					
4205	Investment maintenance and renovations	231		154		66.7
4206	Purchase of land and natural resources					
4207	Purchase of intangible property	126,030	96,000	3,630	3.8	2.9
4208	Project-feasibility studies					
4209	Purchase of commodity reserves and intervention reserves					
	SURPLUS OF REVENUES OVER EXPENDITURE (I. - II.)	-60,780		137,582		

Table 3: Financial indicators

The above table by individual types of revenues and expenditure shows the realisation of the Energy Agency's financial plan for 2003, and the growth indexes with regard to the expected values for 2003, and with regard to the values realised in 2002. In 2003, 103% of the expected revenues, and only 72% of the expected expenditure were realised, which resulted in a surplus of revenues over the expenditure, based on the principle of cash flow at the end of the year, of 137,582,000 tolar.

2.4.1.1.1 Revenues

Non-tax revenues

The revenues from the use-of-network prices that are the most important sources of the Energy Agency's revenues (other non-tax revenues) amounted to 441,229,000 tolar, which practically equals the expected amount.

In 2003 the unexpected revenues from the sales of goods and services amounted to 10,894,000 tolar. These revenues resulted from the organisation of the international conference on the market for electricity, and the consultation regarding the implementation of the updated Slovenian accounting standards. In addition, the unexpected interest revenues amounted to 5,265,000 tolar, resulting mainly from using the surplus of liquid assets for short-term tolar deposits, the purchasing of treasury bonds of the Republic of Slovenia, as well as from the sight deposits at the sub-account of the public treasury.

Capital revenues

The unexpected capital revenue of 9,000 tolar resulted from the sales of written-off small-item assets.

Transferred revenues

The funds from the national budget allocated for 2003 amounting to 3,251,000 tolar were not drawn due to the transfer of the revenue surplus from the previous year.

2.4.1.1.2 Expenditure

Current expenditure

In 2003, the current expenditure amounted to 305,191,000 tolar, which is 92.8 % of the expected current expenditure. The majority of it was associated with the number of employees, either indirectly (salaries and other expenses for the employees, employer's contributions for social security, payroll tax, expenses for business travel and specialist training) or directly (office consumables, library stock). The financial plan for 2003 forecasted 23 employees, while the actual number of employees, calculated on the basis of working hours, was 21, which is a 91.3 % realisation of the plan, and which also explains the percentage of the current-expenditure realisation.

Investment expenditure

Only 12.7 percent of the investment expenditure was realised in 2003, which amounted to 14,624,000 tolar. The expenses for purchasing the equipment and other fixed assets amounted to half of the expected value, while the expected expenditure for purchasing intangible property (specialist studies) was not realised at all. Most of the expected studies were transferred to the framework of the Phare project SIO202.02 - Regulatory Framework in the Process of Opening Up the Internal Energy Market in Slovenia, while the contracts for three studies, made with external experts, were only concluded at the end of the year. With the forecasted funds, only the study regarding the average costs for making a connection to an electricity network, and the last phase of the comparative study regarding the quality of electricity at the EU level, tendered in 2001, were carried out.

It is clear from the data for different expenditure types that the expenditure was within the limits of the expected values; the values forecasted in the financial plan for 2003 were, only in some cases, slightly higher than their realisation, thus, we believe that they do not require any special comment. The index that deviates from the other indexes is the index of the realisation of other expenses for the employees, which include payments to an employee during long-term sick leave.

2.4.2 Outcomes of the implementation of the working programme

An important outcome of the Energy Agency's operation is the improved transparency and predictability of the market operations, mainly with regard to electricity. Favourable changes in this area were noticeable soon after the enforcement of the first version of the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs. In 2003 the Energy Agency contributed towards a significant increase in the transparency of electricity prices, mainly by continually disclosing and explaining the structure of the costs with regard to the fraction relating to electricity networks. Following a cost analysis, and in accordance with the current regulatory framework, the Energy Agency proposed the use-of-network prices. Within the proposed use-of-network prices, the Energy Agency also set the network charges for 2004, in line with the regulatory framework, to which the government of the Republic of Slovenia gave consent in 2002, and which provides for a gradual annual increase in the network charges. Due to the inflationary objectives, and Slovenia's entry into the ERM2, the government of the Republic of Slovenia interfered, by issuing an ordinance, with the adopted mode of setting the network charges for the period of six months, from 1 January to 31 June 2004, and fixed the network charges at the level valid on 12 December 2003.

Transparency is being increased also with regard to the market for natural gas. In accordance with the EA, the provider of the public service of transmission-network operation and natural-gas transmission published framework prices and other commercial conditions for the use of the gas transmission network in the Official Gazette of the Republic of Slovenia, No. 131/2003, on 24 December 2003. The current legislation has not yet required this step to be made at the distribution level.

Numerous market participants often address the Energy Agency with specialist questions and requirements, some of which are within the province of other bodies and institutions. In such cases, the Energy Agency refers them to the appropriate responsible body. In Section 2.3.4.3, the Energy Agency's activities are described in detail with regard to giving opinions and answers, which, among other outcomes, also importantly improved the awareness of market participants and the transparency of operations.

2.4.3 Performance assessment in comparison with the previous year

2.4.3.1 IMPLEMENTATION OF THE REGULATORY FRAMEWORK

In 2003 the Energy Agency was implementing the working programme for this year; however, a lot of its tasks were associated with the activities of the previous year, especially with the regulatory framework regarding electricity networks. The Energy Agency prepared all necessary grounds for setting the use-of-network prices, the proposal for the correction factors for the distribution companies, and the amended and supplemented Rules on setting the prices for the use of electricity networks and the criteria for the eligibility of costs, and thus, as in 2001 and 2002, efficiently and in due time fulfilled its responsibilities as stipulated by the legislation.

A new approach to a more transparent operation of the companies in the area of the transmission and distribution of electricity resulted in the separation of the costs of the regulated and market-based activities, and the determination of eligible costs on the basis of the new methodology of cost calculation. In 2003, the regulated companies largely considered, with regard to regulated activities, the requirements for reducing the costs for operation and maintenance from the regulatory framework. On the basis of monthly monitoring of the realisation of electricity consumption, the Energy Agency created a database, which is being continually updated, for the purpose of various analyses and control.

2.4.3.2 RULES ON SETTING THE PRICES FOR THE USE OF ELECTRICITY NETWORKS AND THE CRITERIA FOR THE ELIGIBILITY OF COSTS

In 2003 the Energy Agency for the first time adopted an executive regulation in a transparent way by inviting the interested public to cooperate in the preparation of the regulation. With regard to this process, the Rules of Procedure regarding the Adoption of Executive Regulations of the Energy Agency of the Republic of Slovenia was issued, regulating in details the cooperation of the interested public in the process of adopting new regulations. The response to the public invitation of the Energy Agency, published on the web pages, was substantial, as the Energy Agency received almost one hundred comments and suggestions, which it examined closely and considered during the preparation of the final version of the document.

2.4.3.3 LICENSING

Year.....	2001.....	2002.....	2003.....
Issued licenses	615	163	89
Decision on dismissal	10	10	8
Decision on termination			1
Refused applications			2
TOTAL:	625	173	100

Table 4: Review of procedures for licence issuing by year

It is clear from the table that the number of issued licenses is on the decrease over the years. The Energy Agency started to issue the licenses in 2001, for a period of five years. It is, therefore, understandable that most of the applications were received - and most of the licenses issued - in the first year. In comparison with 2002, when the Energy Agency received 173 applications and issued 163 positive decisions, in 2003 the Energy Agency received 100 applications and issued 89 licenses for the operation of energy-related activities. In 2003 the number of refused and dismissed applications, or procedures terminated by a decision, was about the same as in 2002. All the procedures were completed within the deadlines stipulated by the law, and there were no appeals against the Energy Agency's decisions.

2.4.3.4 DISPUTES AND PREVENTATIVE OPERATIONS OF THE ENERGY AGENCY

The Energy Agency considers that in 2003 it successfully resolved all the disputes that it was obliged to deal with. As the EA does not provide for a special administrative procedure of settling the disputes related to third-party access, or the calculation of the use-of-network prices, the provisions of the General Administrative Procedure Act apply. This act stipulates that the decision regarding the appeal ought to be issued and delivered to the concerned party within two months of the receipt of a complete appeal, which the Energy Agency accomplished in all cases. The fact that the conclusions or the decisions of the Energy Agency became final, as the concerned parties did not exercise the protection of rights with regard to the Energy Agency's decisions, shows that the dispute settling was carried out successfully.

The Energy Agency was carrying out the preventive control of the market for electricity and natural gas by examining the received requests for opinions and explanations, and by giving opinions and answers to set questions. The basic guideline for this activity was mainly a consistent consideration of the legislative and executive regulations in the process of preparation of opinions and answers to set questions, and their provision within a sensible deadline.

Another performance measure of the Energy Agency's operation is the response of the customers, regulated companies and the wider public regarding the external acts issued by the Energy Agency. When implementing the provisions of the instrument regarding the setting of the use-of-network prices, and the instrument regarding the setting of the average costs for making a connection to a network, no disputes were recorded. In some cases, the Energy Agency was only required to give additional interpretations of individual provisions. The same can be said for the criteria for the allocation of cross-border transmission capacities that were approved of by the Energy Agency.

2.4.4 An assessment of how economical and efficient the Energy Agency was in 2003

The efforts of the Energy Agency aim at a well-regulated and effective operation that allows the achievements of the set objectives, as well as high-quality services regarding the tasks entrusted to it by the law. In doing this, it consistently respects the adopted policies, procedures, acts and other regulations, as well as promoting an effective use of resources. When carrying out its tasks, the Energy Agency strives to achieve an optimum ratio between the use of its own knowledge and experiences, and integrating external specialists and institutions.

When comparing the current expenditure per employee in 2003 with the previous year, we can establish that the efficiency of the Energy Agency increased, as it managed to reduce its expenditure by almost 7 percent – from 15.5 million tolares per employee in 2002 to 14.5 million tolares in 2003.

In 2003, with due care and attention, the Energy Agency very effectively reduced the investment expenditure for obtaining the necessary specialist studies by using the possibility of transferring them into the framework of a Phare project, while also depositing short-term liquid assets.

2.4.5 Internal financial control

The Rules on the Guidelines regarding a Harmonised Operation of the System of Internal Control of Public Finance, which is an executive regulation of the Public Finance Act (the Official Gazette of the Republic of Slovenia, No. 72-3448/2002) obliges the Energy Agency, as a budget user, whose annual budget does not exceed 500 million tolares, to have an internal audit of its operation at least once in each three-year period; the service can also be carried out by external specialists with appropriate knowledge and experiences.

On 13 January 2004 the Energy Agency made a contract regarding an internal audit of its operation, with an emphasis on reviewing the accounts for 2003, with KPMG Slovenija, d.o.o., a company for auditing and business-related counselling, which carried out the audit in February 2004. The modes of recording transactions in the account books, and of internal control with regard to recording transactions were examined; an assessment of the correctness of the items recorded in the accounts was made. After the completion of the internal audit, KPMG Slovenija, d.o.o. produced a written determination stating that there were no irregularities or deficiencies that might have had an important influence on the items registered in the Energy Agency's accounts for the year that ended on 31 December 2003.

2.4.6 Unachieved objectives

The unachieved objectives include the tasks and activities that the Energy Agency did not manage to realise with regard to the agreed deadlines, or the expected content.

2.4.6.1 PRICE CONTROL

The unachieved objectives in the area of price control are mainly the activities related to the implementation of the network charges for 2004 and the proposed correction factors for 2004 for the purpose of balancing the revenues of the regulated companies for electricity distribution. The proposals for the charges and correction factors were refused at the end of 2003 due to the autumn announcement of the government of the Republic of Slovenia to enter the ERM2 system.

2.4.6.2 PROJECT TASKS

In 2003 and 2004 the Energy Agency envisaged the commission of a large number of project tasks; however, because of economic measures it transferred the majority of these tasks to the international Phare project called The Regulatory Framework in the Process of Opening Up the Internal Energy Market in Slovenia. In this way the Energy Agency will take the last opportunity to use the funds of the pre-accession aid of the European Union to Slovenia in the area of the internal energy market.

2.4.6.3 INFORMATION TECHNOLOGY

In the area regarding further development of information technology, the task called the Data Storage and Information Links included in the list of project tasks required in the period 2003-2004 was not realised. Part of the preparation activities regarding the subject design of this task was realised in 2003, while its main part is planned for 2004.

2.4.7 Exceeding the planned tasks

The tasks with which the Energy Agency exceeded its plan, include the tasks and activities that were carried out to a larger extent than initially planned due to circumstances that could not have been envisaged.

2.4.7.1 ACTIVITIES RESULTING FROM UNAPPROVED CORRECTION FACTORS

As the government of the Republic of Slovenia, for the purpose of achieving the objectives regarding the entry into the ERM2, did not give approval to the proposal for the obligatory starting points for the contracts on accessing the transmission network for 2004, and the correction factors for the calculation of electricity transmission to distribution companies, the Energy Agency sought additional possibilities. For this reason, in November and December, it was intensely involved in various analyses, calculations and scenarios; it communicated with individuals influential in the process of decision-making of the government of the Republic of Slovenia, and prepared two additional proposals for the network charge for 2004. These activities of the Energy Agency carried out in the last two months of the year were extensive, demanding and important, thus, the Energy Agency fully committed itself to them, in spite of the other important planned tasks.

2.4.7.2 THE PROJECT TO PURCHASE BUSINESS PREMISES

In connection with the preparation of the financial plan for 2004 and 2005, the Energy Agency decided to look into the possibilities of purchasing appropriate business premises required for its operation. The Energy Agency decided to take this step, following an initiative of the Ministry of Finance, which established, on the basis of examining the Energy Agency's report for 2002, that the purchasing of premises would be more economical than renting. In 2003 a project consisting of all the activities necessary for the purchasing of the premises was carried out. The Energy Agency thus obtained several offers for premises, as well as sources of financing (loan, leasing), taking into account the guideline that the annual costs associated with the purchasing of the premises should not exceed the annual costs for renting the current premises.

As the Energy Agency, when purchasing premises, does not have the possibility of deducting the input value-added tax, it decided to find the most favourable purchasing possibility regarding second-hand premises that are subject to just a 2-percent tax on purchasing real estate. In the process of obtaining information and offers, several visits and meetings were organised, and several purchasing options were prepared. After the completion of the search and an analysis of the offers for business premises, the Energy Agency short listed a property that fulfilled all the criteria - with regard to the location, size, its condition and functionality. The purchasing of the premises is being carried out.

2.4.7.3 THE WORKING PROGRAMME AND FINANCIAL PLAN FOR 2004 AND 2005

The Energy Agency prepared a proposal for the Working Programme and Financial Plan for 2004 and 2005, and submitted it by the requisite deadline of 15 September 2003 to the ministry responsible for energy. The Ministry of Finance expressed no objections to this document; it was prepared in a more transparent way and in more detail than in the previous years. However, the Ministry of the Environment, Spatial Planning and Energy expressed additional requests on several occasions. In spite of the modifications and several amendments to the document, which are unusual requirements with regard to the working programmes and financial plans of similar institutions in Slovenia or in the EU countries, and which required a lot of additional work, the responsible ministry still has not submitted the document to the government of the Republic of Slovenia for its approval.

2.4.7.4 RECS CERTIFICATES

In 2003 it became clear that the grounds for the issuing of the so-called green certificates needed to be prepared in Slovenia, as this step was in the interest of the market participants. The Energy Agency supported these efforts, and organised relevant activities in such a way that they can be widely used and upgraded. The Energy Agency realises that the state will have to provide evidence of energy sources in accordance with the relevant EU directive. This is a broad area, in which the Energy Agency became involved with the purpose of regulating this area to the benefit of the Slovenian energy industry. The Energy Agency's activities in this area are described in detail in Section 2.3.1.6.

2.5 Effects of the Energy Agency's work on other areas

2.5.1 Effects on the economy

When realising the tasks stipulated by the EA the Energy Agency implements market-based principles that give business parties an opportunity for transparent operation in the energy markets. In addition, the Energy Agency defined, in a general act called the Rules on Setting the Prices for the Use of Electricity Networks, the mechanisms for a sustainable maintenance of the quality of electricity supply, the transparency of tariff items regarding different elements of the use-of-network prices, and a stable environment for the investors, i.e., the owners of electricity infrastructure.

2.5.2 Effects on the protection of environment

For the purpose of achieving the objectives of Slovenian energy policy, determined in the EA, the Energy Agency considered the initiatives regarding the trading with electricity produced from renewable resources with regard to the protection of the environment. In the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs, the Energy Agency applied the principle of the minimum costs charged for in the case of electricity transmission between a qualified producer generating electricity in a hydro-electric power station with a capacity below 1MW and a customer purchasing this electricity.

With the activities in the area of introducing and issuing the RECS certificates, the Energy Agency directly influences the performance regarding Slovenia's fulfilment of obligations imposed by the Kyoto Protocol concerning the control of the greenhouse-gas emissions. In addition, the Energy Agency also carries out the activities associated with establishing and validating the source of electrical energy. This is important because of the obligation imposed by an EU directive (2003/54/EC) regarding the compulsory publishing of the shares of individual production resources within the total structure of electricity by individual supplier for the previous year. In this way it will be possible to obtain information about the effect of the existing structure of production resources on the environment, mainly with regard to the emissions of carbon dioxide (CO₂), and the issue of radioactive waste.

2.5.3 Effects on regional development

When setting the use-of-network prices, the Energy Agency took into account the principle of making the calculation by applying the postage-stamp method. With regard to trading with electricity, this method does not foresee the calculation of the electricity transmission in accordance with the location of the contract parties (producer-customer), so as to treat all the customers or producers equally irrespective of their location in the country.

2.5.4 Effects of the Energy Agency's operation on consumer protection

In accordance with the Media Act, the Energy Agency employs a person responsible for ensuring the publicity of its operation, and in accordance with the Access to Public Information Act it employs a person responsible for giving out information that is in public domain.

In 2003 the Energy Agency adopted the Rules on Setting the Prices for the Use of Electricity Networks and the Criteria for the Eligibility of Costs in a transparent way in accordance with the Access to Public Information Act. The proposal for this document was available for public discussion on the Energy Agency's web pages, and all the interested parties were able to submit their comments and suggestions. The Energy Agency also published aids for the calculation of the network charges.

The Energy Agency and the Slovene Consumers' Association made contact and are discussing the form of their further cooperation.

With the above-mentioned activities, in 2003, the Energy Agency raised the awareness of the customers and the public, as well as improving the transparency of its operation to the benefit of all the participants on the electricity market.

2.6 Other issues

2.6.1 Human resources

In 2003 the Energy Agency strove to recruit new specialists, train employees and provide suitable working conditions in accordance with its mission. The specific operational area of the Energy Agency, the new requirements of the EU, the expected expansion of the tasks, the necessary international involvement, and a relatively small number of employees with regard to the demanding and extensive operational areas of the Energy Agency, require specialist knowledge, intense involvement and resourcefulness of the employees. The network organisation within different departments and activities or tasks requires a high degree of cooperation among the employees of various professions in the specific operational areas of the Energy Agency, as well as a multi-disciplinary approach. For this reason it is necessary to invest in the development of the employees - in specialist knowledge, skills, and in the development of new abilities.

2.6.1.1 AN ANALYSIS OF RECRUITING

The working programme for 2003 and 2004, approved of by the government of the Republic of Slovenia, anticipated that the Energy Agency would, in 2003, employ 25 employees (by the end of 2003), i.e., four employees more than at the end of 2002. The average number of employees, in 2003, was 22.2; at the end of 2003, there were 24 employees, of whom 23 were employed on a permanent basis and 1 employee on a temporary basis (replacing an employee for the period of maternity leave). The above-mentioned details show that, in 2003, the Energy Agency almost entirely fulfilled expectations regarding recruiting. The average age of the employees is 41 years.

As in previous years, in 2003 too, when looking for new employees, the Energy Agency mainly took into account its mission and tasks. Thus, it employed, in May 2003, a graduate in journalism for the area of public relations; until then nobody had covered this area, and the Energy Agency had mainly made use of external professionals. In September 2003 the Energy Agency employed two graduates in law, one for a temporary period - replacing an employee for the period of maternity leave. Already in the second half of the year, the Energy Agency noticed the expected increase in the number of disputes and legal gaps, and a significantly larger amount of work in the area of economic regulation, resulting from the expected changes to the Slovenian legislation, further opening of the markets, a larger number of eligible customers, and possible disputed legal relations caused by the changes to the EU legislation. For this reason, it started, at the end of 2003, the procedures for selecting four new employees with technical and economics qualifications that the Energy Agency urgently needed. As the working programme and financial plan for 2003 had not been approved, these procedures will be completed in 2004.

2.6.1.2 THE STRUCTURE OF HUMAN RESOURCES

More than 80 percent of the Energy Agency's employees are university graduates; a more detailed structure is shown in the table below.

At the end of 2003 the Energy Agency employed 10 employees with technical qualifications (42 percent), 6 employees with qualifications in economics (25 percent) and 6 employees with legal qualifications (25 percent). The employee on maternity leave was off work since February, while the two new employees were employed in September. Two employees (8 percent) belong to the group of other professions.

Department	Number of employees	Qualifications
Director, Assistant to the Director, Secretary General (Head of Legal Department and Common Services Department)	3	Ph.D., Master's degree, B. Law
Economics department	4	all B. Econ.
Technical department	5	all B. Eng.
Legal department	4 + 1 on maternity leave	all B. Law
Common services department	7	1 B. Eng., 1 B. Econ., 1 B. Journ., 1 B. (ord.) Eng. * 1 two-year college graduate in economics, 1 vocational-school graduate in administration, 1 technician
- information-technology section	2	
- public relations	1	
- accounting	1	
- secretariat	1	
- dispatch office	}	
- human resources		
- public works records	}	
- library		
- computer-supported license records	1	
TOTAL	24	

* In 2003, the employee worked on a part-time basis (four hours per day)
Table 5: Employees at the end of 2003 and qualifications by departments

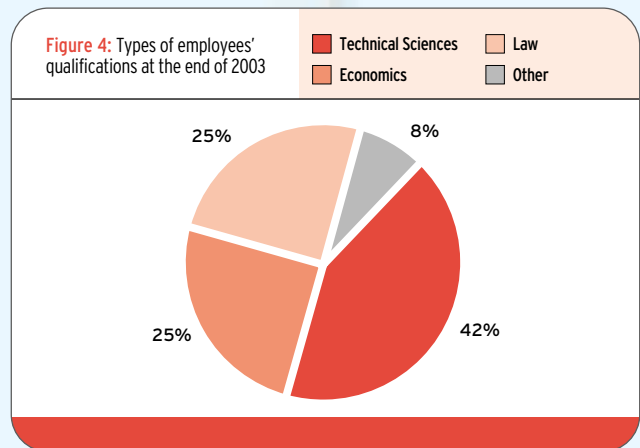
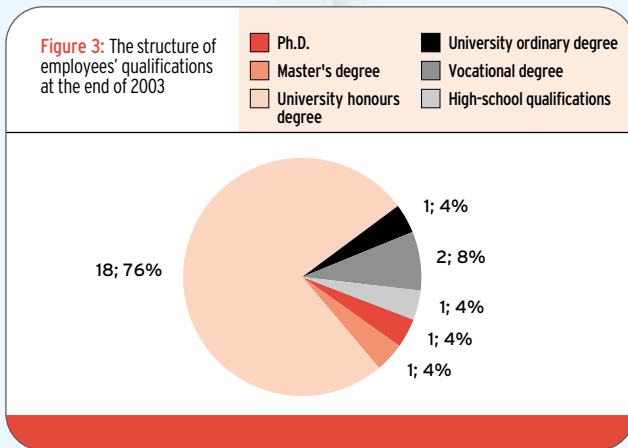
2.6.1.3 PROFESSIONAL TRAINING OF EMPLOYEES

In the area of training the employees, the Energy Agency is obliged to act in line with the international regulatory practice and the guidelines that are being implemented in the EU countries with regard to the market for electricity and natural gas. In the relatively short time of the Energy Agency's operation, its employees acquired a lot of new knowledge regarding the regulation of energy markets; however, they will have to continue to follow all the changes in the energy market, acquire new knowledge, and, in this way, follow the guidelines of European energy policy. For the time being, it is only possible to acquire specialist knowledge relating to regulation abroad.

In 2003 the employees participated at various international conferences or trainings relating to economic regulation and the regulation of the markets for electricity and natural gas, investments, the quality of electricity supply, third-party access and cross-border trading, operation of the electricity markets of the neighbouring countries, the renewable sources of energy and green certificates. At some conferences, the Energy Agency's employees also contributed their talks.

The Energy Agency's employees also have to continually acquire and upgrade their knowledge relating to the European legislation, as well as new Slovenian legislation, focusing mainly on the Employment Act, public administration, salaries in the public sector, financial operation, organisation and management of work. For this purpose, in 2003, the Energy Agency's employees mainly took part in one-day seminars, organised by individual educational institutions or national institutions. As a result of very team-oriented work at the Energy Agency, project organisation, and cooperation with the public, the Energy Agency's employees were also trained in the areas of management, organisation and communication.

In 2003 most of the Energy Agency's employees were also improving their knowledge of foreign languages, mainly English, which is necessary because of the specific nature of their work and their cooperation with the foreign institutions.



Whenever it is in the interest of an employee and the Energy Agency, an employee would be encouraged to acquire additional specialist knowledge needed for the performance of tasks in a particular working area. Thus, in 2003, one employee began to train as an accountant in the state sector, i.e., an experienced accountant in the state sector; three employees were taking additional training in economics (two master's degrees, and one university degree). One employee was improving his knowledge of computer-systems administration.

2.6.2 Investments

In 2003 the Energy Agency purchased new fixed assets, intangible long-term assets, and small-item assets with a lifetime of more than one year, for the overall amount of 13,285,000 tolar, while the total investment expenditure amounted to 14,624,000 tolar and included the following:

• purchase of office furniture	170,000 tolar
• purchase of software and hardware	6,019,000 tolar
• purchase of large, specialised computer installation	723,000 tolar
• purchase of equipment for printing and photocopying	1,071,000 tolar
• purchase of security equipment	2,076,000 tolar
• purchase of telecommunications equipment and installations.....	144,000 tolar
• purchase of other fixed assets (small items)	637,000 tolar
• investment maintenance.....	154,000 tolar
• acquisition of other, intangible fixed assets (studies)	3,630,000 tolar
• total.....	14,624,000 tolar

In the case of obtaining the consent of the founder, the Energy Agency will use the unused investment funds, determined in the approved financial plan for 2003, and included in the surplus of revenues over expenditure of the financial year, in 2004 for partial financing of the purchase of business premises needed for its operation, and for additional equipment for these premises.

3 Balance sheet

..... **Balance sheet on 31. 12. 2003** In thousands.. In thousands..... Structure..... Index

..... of tolar of tolar in % 2003/.....

..... 31. 12. 2003 31. 12. 2002 31. 12. 2003 2002

ASSETS	397,330	285,525	100.0	139
A. Long-term assets and managed assets	153,867	188,098	38.7	82
Intangible long-term assets	172,026	165,964	-	104
Revaluation of intangible long-term assets	(42,481)	(8,702)	-	488
Property	0	0	-	-
Revaluation of property	0	0	-	-
Equipment and other tangible fixed assets	55,090	50,463	-	109
Revaluation of equipment and other tangible fixed assets	(30,768)	(19,627)	-	157
B. Short-term assets and accruals	243,463	97,427	61.3	250
Cash and cheques, in the cash register, redeemable immediately	204	15	0.1	1,360
Deposits in banks and other financial institutions	35,204	39,652	8.9	89
Short-term receivables	42,483	36,016	10.7	118
Advance payments and securities	488	565	0.1	86
Short-term claims relating to the users of the uniform chart of accounts	0	345	0.0	-
Short-term financial investments	164,005	20,170	41.3	813
Short-term financing claims	88	139	0.0	63
Other short-term claims	459	300	0.1	153
Accruals	532	225	0.1	236
LIABILITIES	397,330	285,525	100.0	139
C. Short-term liabilities and deferrals	23,193	23,002	5.8	101
Short-term liabilities to employees	12,765	10,838	3.2	118
Short-term payables	4,348	9,466	1.1	46
Other short-term operating liabilities	4,666	2,556	1.2	183
Short-term liabilities relating to the users of the uniform chart of accounts	578	133	0.1	435
Deferrals	836	9	0.2	9,289
D. Own funds and long-term liabilities	374,137	262,523	94.2	143
Long-term provisions	0	0	0.0	-
Liabilities for intangible long-term assets and tangible fixed assets	123,401	162,077	31.1	76
Surplus of revenues over expenditure	250,736	100,446	63.1	250

Table 6: Balance sheet

4 Profit-and-loss account

..... Profit-and-loss account for 2003

	Realisation in 2003 in thousands of tolar	Realisation in 2002 in thousands of tolar	Structure in % 2003	Index 2003/ 2002
A. Operating income	458,391	359,638	98.8	127
Sales revenues	458,391	359,638	98.8	127
B. Finance income	5,503	7,313	1.2	75
C. Extraordinary revenues	72	67	0.0	107
C. Re-evaluated operating income	9	0	0.0	-
Revenue from selling fixed assets	9	0	0.0	-
D. D. TOTAL REVENUE	463,975	367,018	100	126
E. Costs of goods, materials and services	120,297	121,891	38.4	99
Material costs	9,423	8,923	3.0	106
Service costs	110,874	112,968	35.4	98
F. Labour costs	182,166	141,585	58.1	129
Salaries and salary compensation	137,388	108,209	43.8	127
Employer's contributions for social security	22,420	17,745	7.2	126
Other labour costs	22,358	15,631	7.1	143
G. Depreciation	7,482	1,029	2.4	727
H. Provisions	0	0	0.0	-
I. Tax on profit	308	0	1.0	-
J. Other costs	3,346	2,646	0.1	126
K. Finance expenditure	84	163	0.0	52
L. Extraordinary expenditure	20	27	0.0	74
M. Re-evaluated operating expenditure	0	0	0.0	-
N. TOTAL EXPENDITURE	313,703	267,341	100	117
O. SURPLUS OF REVENUES	150,272	99,677	-	151

Table 7: Profit-and-loss account.....

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The Annual Report of the Energy Agency of the Republic of Slovenia for 2003

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