

LEGISLATIVE FRAMEWORKS FOR RENEWABLE ENERGY UTILISATION

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Structure of the presentation

PRIMARY RES LEGISLATION FRAMEWORK

- RES Matters in Act on Energy;
- RES Matters in Act on Heat Energy;
- RES Matters in Act on Regulation in Network Industries;
- RES Matters in Act on Energy Performance of Buildings;

SECONDARY RES LEGISLATION FRAMEWORK

- *Ordinance of the Government of the Slovak Republic No. 124/2005;*
- *Decree of the RONI No. 2/2005 and No. 2/2006;*

DESIGN OF NEW LEGISLATION EXPECTED IN 2007

Primary legislative framework in energy sector is represented by 3 main energy acts and Act on Energy Performance of Buildings, which was recently published in National Code.

Original name	English translation
Zákon NR SR č. 656 / 2004 Z.z. o energetike a o zmene niektorých zákonov	Act No. 656 / 2004 in the Collection of Laws of 26 October 2004 on Energy and consequential amendments
Zákon NR SR č. 657 / 2004 Z.z. o tepelnej energetike	Act No. 657 / 2004 in the Collection of Laws of the Slovak Republic on Heat Energy
Zákon NR SR č. 658 / 2004 Z.z. , ktorým sa mení a dopĺňa zákon č. 276 / 2001 Z. z. o regulácii v sieťových odvetviach a o zmene a doplnení niektorých zákonov v znení neskorších predpisov	Act No. 276/2001 in the Collection of Laws of the Slovak Republic of 14 June 2001 on Regulation in Network Industries and on Amendments and Additions to Some Acts as amended (Amendments: 397/2002 Z. z., 442/2002 Z. z., Act of 26 October 2004)
Zákon NR SR 555/2005 Z.z. o energetickej hospodárnosti budov a o zmene niektorých zákonov	Act No. 555/2005 in the Collection of Laws of the Slovak Republic on Energy Performance of Buildings

No legislative regulation (act) on side of energy consumption (only new act on energy performance of building is dealing partially with energy consumption)

RES Matters in Act on Energy

Responsibility of the Ministry of Economy:

- to accept measures to ensure purposes in production of electricity based on RES;
- to analyse the fulfilment of accepted measures to ensure the electricity production based on RES;
- to publish each 5 years a report on the intents in RES electricity production and on the accepted measurements focused on ensuring purposes in RES electricity production; report to be published in bulletin and on the official web-site of the Ministry of Economy;
- to publish each 2 years a report on state in RES electricity production purposes fulfilment and measurements accepted to ensure the reliability of certificates about the source of electricity (green certificates); report and measurements to be published in bulletin and on the official web-site of the Ministry of Economy.

RES Matters in Act on Energy

Responsibility of electricity trader:

- provide to purchaser the information about the shares of PES used in electricity production and supply for previous year including supply of electricity imported from other EU member states and third countries; information should be provided on demand to executive administration too;
- provide to purchaser the information about the impact of produced and supplied electricity on the environment or provide the reference on public source of these information; information should be provided on demand to executive administration too.

Business license in energy sector is not requested for these activities:

- electricity production in facility with total installed capacity up to 5 MW;
- electricity production in facility based on RES with total installed capacity up to 5 MW:
 - a) small hydro power plants;
 - b) wind power plants;
 - c) solar plants;
 - d) facilities based on geothermal energy utilisation;
 - e) facilities based on biogas utilisation;
 - f) facilities based on biomass utilisation.
- gas production from biomass;
- gas production from biogas;
- sale of compressed natural gas for motor vehicles powering;
- transfer of the oil;
- and other activities (not relevant for RES).

RES Matters in Act on Energy

Protection of the environment and utilisation of RES, CHP and domestic coal sources in electricity production is defined as responsibility in public economy interest. In case of “General Economy Interest on RES utilisation” declaration Ministry of Economy can oblige the producer of electricity, the system and network operator, the supplier of electricity and the gas and storage operator to ensure RES or CHP utilisation in electricity production; or to ensure priority in access, connection, transfer, distribution and RES-E supply.

RES Matters in Act on Energy

Special forms of electricity production:

- combined heat and power (CHP); producer of CHP electricity has a priority to transfer and distribution of electricity;
- electricity produced from RES; producer has a priority in transfer, distribution and supply of electricity; producer has a right to publish a confirmation about the source of produced electricity; confirmation will include identification of the source of produced electricity, date and place of production and in case of hydro-power plants also their capacity.

RES Matters in Act on Heat Energy

Act No. 657 / 2004 in the Collection of Laws of the Slovak Republic on Heat Energy - parts dealing with RES:

Obligation to purchase heat:

Holder of license in heat distribution has to purchase heat from holder of license in heat production who is producing heat from RES or CHP unit, if he:

- is not a producer or purchaser of RES / CHP heat himself;
- will not increase the price for his purchasers;
- cooling medium used in RES / CHP heating unit is identical that is used in public heating system;
- purchasing of heat from RES / CHP unit is economically equal with purchasing heat from other heat sources (in the point of heat distribution license holder's view).

RES Matters in Act on Regulation in Network Industries

Act No. 658 / 2004 on Regulation in Network Industries in the Collection of Laws of the Slovak Republic - parts dealing with RES:

- Subject of prices regulation:
 - Producing of energy based on RES, CHP and domestic coal sources.
- Regulatory Office responsibilities:
 - Regulatory Office for Network Industries (RONI) is responsible to issue a confirmation about the source of produced electricity based on RES;
 - Range of prices regulation and proceeding details will be published by RONI through specific obligation decree.

RES Matters in Act on Energy Performance of Buildings

Act on Regulation in Network Industries in the Collection of Laws of the Slovak Republic - parts dealing with RES:

In case of new building technical, environmental and economical feasibility of alternative energy sources utilisation has to be assessed. It means mainly CHP electricity and heat or district heating supply; also possibility of local renewable energy sources supply application, e.g. heat pump. This institute is referred in law as “Energy opinion”.

Secondary RES legislation framework

Both guarantee of origin as well as fixed prices of the electricity from RES are new institute in Slovak legislative framework which came into force with new legislative framework (**Act No. 656/2004 Z.z. on Energy; Act. No. 657/2004 on Heat Energy; and Amendment of Act No. 276/2001 Z. z. on Regulation in Network Industries**).

Passing guarantees of origin and fixed RES-E prices setting was established by secondary legislative:

- **Ordinance of the Government of the Slovak Republic No. 124/2005** which lays down rules for operation of the electricity market
- **Decree of the Regulatory Office for the Network Industries (RONI) No. 2/2005** which lays down the scope of price regulation in the electric energy sector and the method of its implementation, scope and structure of eligible costs, method of determination of reasonable profit and background documents for price proposal
- **Decree of the RONI No. 2/2006** which lays down the scope of price regulation in the electric energy sector and the method of its implementation, scope and structure of eligible costs, method of determination of reasonable profit and background documents for price proposal

Secondary RES legislation framework - Ordinance of the Government of the Slovak Republic No. 124/2005

The present Ordinance lays down rules of operation of the electricity market, namely the conditions for:

- connection of an electricity market participant to the system,
- access of an electricity market participant to the system,
- transmission of electricity,
- cross-border exchange of electricity under a special regulation,
- distribution of electricity,
- supplies of electricity including supplies of balancing electricity and supply of electricity to households,
- provision of support services,
- provision of system services,
- assuming responsibility for deviations; assessment, clearing and settlement of electricity market participant's deviation and system deviation,
- method of prevention of overload and handling of overload of the system.

Secondary RES legislation framework - Ordinance of the Government of the Slovak Republic No. 124/2005

Guarantee of origin about the source of produced electricity

- Passed based on the renewable electricity producer's application in accordance with the Act No. 656/2004 Z.z. on Energy;
- Certificate includes selection of the electricity source; date and place of generation and in case of hydro power plants also power capacity;
- Passed by the Regulatory Office for Network Industries (RONI);
- Each regulated body is obliged to submit an application at RONI to get the Guarantee of RES-E Origin.

The application should include:

- time period for which the guarantee is required,
- exact definition of the plant and selection of connection point,
- plant's power producing plan and time schedule of planned shut-downs.

Producer should have handed over data needed for the prices regulation for the last year according to specific regulation, electricity has to be produced from renewable energy source and the producer has valid contract about the connection to the network, electricity transmission or distribution contract and voltage deviation accounting contract. RONI is providing evidence of passed guarantees of origin and about real power supply from these sources. Guarantee of origin issued in other EU member states is also valid in Slovakia.

Secondary RES legislation framework - Ordinance of the Government of the Slovak Republic No. 124/2005

Certificates are issued by the Regulatory Office for Network Industries and are awarded to small power plants producing from renewables with capacity up to 5 MW. Until January 2006 RONI has issued 120 certificates:

- 3 wind power plants;
- 2 biogas power plants;
- 2 biomass power plants;
- over 100 small hydro power plants.

The large hydro power plant, owned by Slovenské Elektrárne, does not need a certificate.

Secondary RES legislation framework - Ordinance of the Government of the Slovak Republic No. 124/2005

Regarding supply of electricity from renewable sources of energy, from combined generation of electricity and heat, and from domestic coal following parts of Ordinance are important:

- (1) To cover losses in transmission of electricity and distribution of electricity, the systems operators shall preferentially purchase electricity generated
 - from renewable sources of electricity,
 - from combined generation equipment,
 - from domestic coal.

- (2) The preferential transmission, distribution, and supply of electricity generated from renewable sources of energy, from combined generation equipment, and electricity from domestic coal is performed pursuant to a special regulation (Decree of RONI No. 2/2005 and 2/2006).

Decree of the RONI No. 2/2005 and No. 2/2006

Decree about fixed RES-E prices is issued by RONI annually for each one year and it is conditioned by the Guarantee of origin. 130 certificates about guarantee of origin have been issued by RONI yet. The application process for prices regulation for the next year is being repeated annually. This approach enables RONI to adapt other regulations, mainly regarding distribution companies which will purchase RES-E and due to fact that the purchase of RES-E is not obligatory in Slovakia.

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Decree of the RONI No. 2/2005 and No. 2/2006

Tab: Prices regulation of RES-E production in Slovakia for **2006** (Decree of the Regulatory Office for the Network Industries No. 2/2005 and No. 2/2006)

Technology	Specification	Operation start	Fixed price (SK/MWh)	Fixed price* (Euro/MWh)
Hydro power plant	Up to 5 MW	Till January 1 st 2005	1,900	55.3
	Up to 5 MW	Later than January 1 st 2005	2,300	66.9
	Increase of capacity (up to 5 MW)	Reconstructed later than January 1 st 2005	2,400	69.9
Solar power plant			8,000	232.9
Wind power plant		Till January 1 st 2005	2,500	72.8
		Later than January 1 st 2005	2,800	81.5
		Facilities older than 3 years with operation start later than January 1 st 2005	1,900	55.3
Geothermal plant			3,500	101.9

* Exchange rate - February 23rd, 2007: 1 EUR = 34.355 SK

Decree of the RONI No. 2/2005 and No. 2/2006

Tab: Prices regulation of RES-E production in Slovakia for **2006** (Decree of the Regulatory Office for the Network Industries No. 2/2005 and No. 2/2006)

Technology	Specification	Operation start	Fixed price (SK/MWh)	Fixed price* (Euro/MWh)
Biomass firing	Cultivated biomass		3,000	87.3
	Waste biomass	Till January 1 st 2005	2,000	58.2
	Waste biomass	Later than January 1 st 2005	2,700	78.6
	Biomass or waste co-firing with fossil fuels	Till January 1 st 2005	2,000	58.2
	Biomass or waste co-firing with fossil fuels	Later than January 1 st 2005	2,200	64.0
	Biogas firing		2,500	72.8

Decree of the RONI No. 2/2005 and No. 2/2006

Tab: Prices regulation of RES-E production in Slovakia for **2007** (Decree of the Regulatory Office for the Network Industries No. 2/2006)

Technology	Specification	Operation start	Fixed price (SK/MWh)	Fixed price* (Euro/MWh)
Hydro power plant	Up to 5 MW	Till January 1 st 2005	1,950	56.8
	Up to 5 MW	Later than January 1 st 2005	2,360	68.7
	Increase of capacity (up to 5 MW)	Reconstructed later than January 1 st 2005	2,460	71.6
Solar power plant			8,200	238.7
Wind power plant		Till January 1 st 2005	2,565	74.7
		Later than January 1 st 2005	2,870	83.5
		Facilities older than 3 years with operation start later than January 1st 2005	1,950	56.8
Geothermal plant			3,590	104.5

Decree of the RONI No. 2/2005 and No. 2/2006

Tab: Prices regulation of RES-E production in Slovakia for **2007** (Decree of the Regulatory Office for the Network Industries No. 2/2005)

Technology	Specification	Operation start	Fixed price (SK/MWh)	Fixed price* (Euro/MWh)
Biomass firing	Cultivated biomass		3,075	89.5
	Waste biomass	Till January 1 st 2005	2,050	59.7
	Waste biomass	Later than January 1 st 2005	2,770	80.6
	Biomass or waste co-firing with fossil fuels	Till January 1 st 2005	2,050	59.7
	Biomass or waste co-firing with fossil fuels	Later than January 1 st 2005	2,480	72.2
	Waste water treatment biogas firing		2,560	74.5
	Biogas – anaerobic fermenting technology with capacity up to 1.0 MW		4,200	122.3
	Biogas – anaerobic fermenting technology with capacity over 1.0 MW		3,000	87.3

Decree of the RONI No. 2/2005 and No. 2/2006

RES-E fixed prices are calculated by RONI as independent organisation each year with validation for the next year. Calculations are made based on 12-years pay-back period of the model investment considering main economic criteria such current inflation rate, costs of required inputs and technologies etc. In 2007 relevant ministries announced preparation of the national act on RES in which long-term guarantee of RES-E feed-in tariffs should be included

Design of new legislation expected in 2007

Proposal of the **Strategy of Higher RES Utilisation in Slovak Republic** prepared by the Ministry of Economy as the obligation resulting from National Energy Policy which is being assessed in frame of strategic environmental impact assessment at the moment (November 2006) suggests following legislative measures to be adopted:

1. Ordain by the law the obligation of electricity distribution companies to preferentially purchase the electricity from RES and CHP to cover losses in distribution network (at this moment it is fixed only in secondary legislation framework – Ordinance of Government no. 124/2005 Z.z.)
2. Ordain by law the long-term guarantee of fixed purchase price of the electricity from RES and CHP. Fixed feed-in prices are at the moment set by the independent body – Regulatory Office for the Network Industries – considering standard eligible costs of installation and appropriate economical profit. Prices are calculated resulting from economical assessment of model project per each technology privately funded by standard bank loan with the 12 year pay-back period of the investment. 12 years pay-back period is also recommended by the proposal of the Strategy of Higher RES Utilisation in SR.
3. Do not require from the investor building facilities using RES with installed capacity up to 5 MW the certificate about conformity with national energy conception

Design of new legislation expected in 2007

4. Give the producer of RES-E a right of preferential access and connection to the grid in case of complying technical preconditions in line with §17 of Act on Energy No. 656/2004 and other trade conditions
5. Relieve the conditions for RES-E producers with installed capacity up to 5 MW
6. Fixed feed-in prices of RES-E will be set by the RONI to:
 - a) create the conditions for increasing of RES-E share on national electricity consumption
 - b) achieve 12 years long pay-back period of the investment in average in case of fulfilment technical parameters and economical efficiency
7. Regulation period for RES-E prices regulation have to be longer than 7 years (it is only 1 year at the moment)
8. In case of future need to prepare stand-alone national act on RES support and in next years consider the possibility of green certificates implementation as the flexible mechanism for economical impact of RES-E purchase reallocation along all subjects on the electricity market.

Design of new legislation expected in 2007

In November 2006 the amendment of national act on regulation (Act 276/2001) has been prepared by the new government which arises from last national elections in summer 2006. The amendment proposes following changes:

- Complete exchange of the members of the regulation council of RONI;
- Regulation of production electricity prices which are set by the market at the moment;
- Return back to the regulation of all forms of energy for the entrepreneurs.
- The amendment has to face a strong resistance from energy companies, employers and regulation office (RONI). The Ministry of Finance is afraid of possible losses of incomes to the national budget and many experts refer to non-conformity with EU legislation which lay emphasis on deregulation and liberalisation of the energy markets. In case of amendment approval by the Government independence of RONI will be threaten.

Design of new legislation expected in 2007

Long-term guarantee of RES-E feed-in prices in frame of mentioned amendment of national act on regulation was proposed by the relevant department of the Ministry of Economy for 7 years as well as by the association of industrial energy purchasers for 15 years. These proposals haven't been accepted and issue of long term guarantee of RES-E prices regulation was shifted on the next future amendment.

Thank you for your attention.

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