

## SLOVAKIA – Internal Market Fact Sheet

### Policy Background

A European energy policy must pursue the objective of a sustainable, competitive and secure supply of energy. If the EU continues on its present course, this key objective will not be attained. In January 2007, the European Commission adopted an energy policy for Europe. This was supported by several documents on different aspects of energy and included an action plan to meet the major energy challenges Europe faces. Each European citizen must be informed of these challenges and the role they should play in meeting them. A fully functioning internal market will increase security of supply and should result in lower energy prices.

### Key issues

Market opening in Slovakia for non-household customers in both the electricity and gas sectors was implemented on 1 January 2005, while households will be free to choose supplier as of 1 July 2007. Competition to date in both markets has not developed strongly and, as with other Member State markets, the main obstacle is the dominance of the incumbent companies. The transmission system operator for electricity is separate in ownership terms from the main generators and suppliers, while the gas transmission operator was legally unbundled in June 2006. Electricity and gas distribution systems must be legally separate from generation or supply by July 2007; however, legal unbundling for gas has already been completed and in electricity is expected to be finalised in January 2007. Electricity prices in Slovakia exceed the EU averages, while gas prices are below the EU averages.

### Market Overview

#### Electricity Industry

The main participants in the Slovak electricity market are a single, dominant generation company and three large distribution/supply companies, which cover the entire territory of the country. Slovenska Elektrane (SE) is the main generation company with a share of production close to 84%. The three distributors/suppliers are ZSE, VSE and SSE, which are partially owned (49%) by E.ON, RWE and EDF respectively, with the remaining share being held by the Slovak government. These three companies source their supply on negotiated terms from SE and each has a regional distribution area. Recently, competition has started to develop between them for industrial and business customers. Supply licences have also been awarded to 18 other companies. Several companies from the Czech Republic have entered the market, including CEZ, while suppliers are also able to source electricity from the Czech, Austrian and German wholesale markets. Apart from a few large users, there has been little meaningful customer switching to date.

#### Gas Industry

The gas market in Slovakia is characterised by a high level of dependence on a single external supply source (Russia) and the dominance of a predominantly state-owned vertically integrated company. Slovakia is also an important transit country for gas, with its transmission network forming a significant part of the European gas network and representing an important route for transporting natural gas to the countries of Central and Western Europe.

Slovensky Plynarensky Priemysel (SPP) is currently responsible for the supply of all gas in Slovakia, which in turn imports all its gas on the basis of contracts with Russia's Gazprom. SPP is also the owner of the transmission and distribution networks. Following the legal unbundling of the networks, access is available to other potential suppliers but as yet there has been no penetration by other new entrants and therefore no customer switching. Approximately two-thirds of the gas consumed in Slovakia is by large industrial users and it is expected that this market will develop rapidly in the future.

### Customer switching rates and prices

#### Customer switching

Around 1% of consumers have changed supplier in electricity, while no switching has occurred yet in the gas sector.

*Volume of electricity / gas consumption having switched by group – cumulative since market opening*

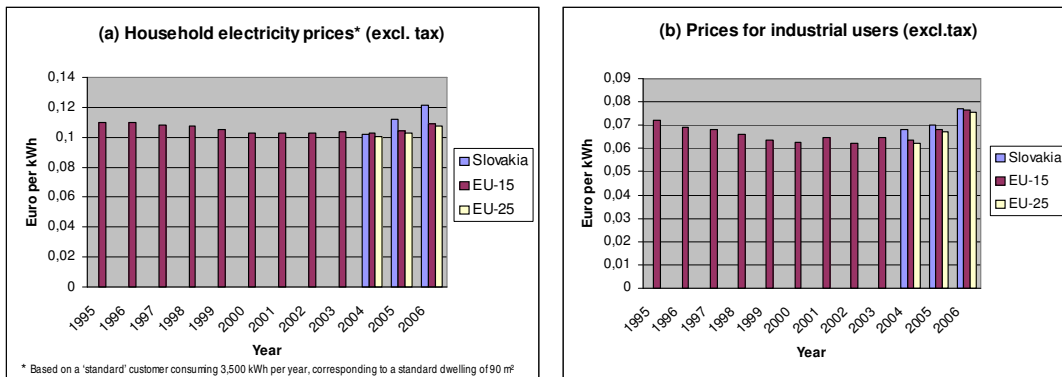
Customer segment	Electricity	Gas
Large and very large industrial	-	0%
Small-medium industrial and business	0%	0%
Very small business and household	0%	0%

Source: European Commission, Report on Progress in Creating the Internal Gas and Electricity Market, SEC (2005) 1448

#### Electricity prices

Average electricity prices for households have increased by 18.8% since 2004 and are currently about 13% higher than the European averages. Electricity prices for industrial users are about 3% higher than the European averages. Prices for industrial users are lower in absolute terms than for households.

**Figure 1: Average electricity prices for one kWh**

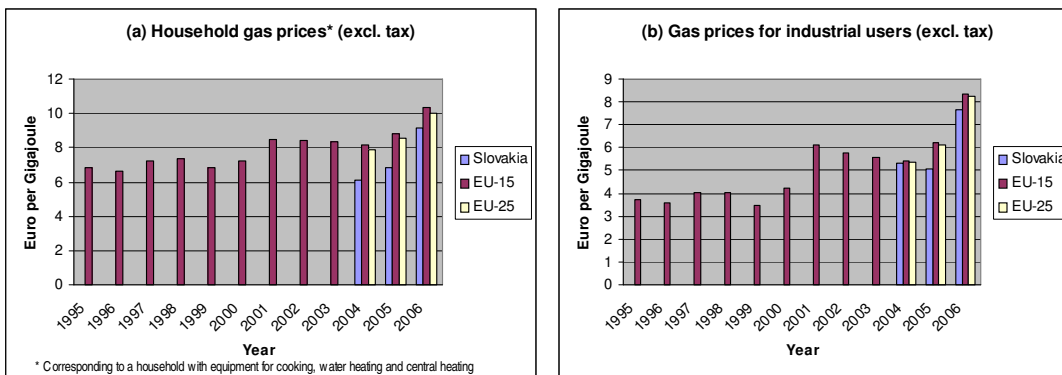


Source: <http://epp.eurostat.ec.europa.eu/>

**Gas prices**

Gas prices for households have increased by about 49% since 2004 and are currently about 9% lower than the European averages. Electricity prices for industrial users have increased by about 57% since 2005 and are about 7% lower than the EU-15 and EU-25 averages.

**Figure 2: Average natural gas prices for one Gigajoule**



Source: <http://epp.eurostat.ec.europa.eu/>

**For further information**

To find out more about the energy markets in the Slovak Republic and other Member States go to:  
[www.urso.gov.sk](http://www.urso.gov.sk) (the Slovak Energy Regulator)  
[http://ec.europa.eu/energy/electricity/benchmarking/index\\_en.htm](http://ec.europa.eu/energy/electricity/benchmarking/index_en.htm) (Benchmarking Reports)  
[http://www.ceer-eu.org/portal/page/portal/EREGG\\_HOME/EREGG\\_DOCS/NATIONAL\\_REPORTS/2006](http://www.ceer-eu.org/portal/page/portal/EREGG_HOME/EREGG_DOCS/NATIONAL_REPORTS/2006)  
 (National Reports)  
 Further fact sheets on the Slovak Republic and other Member States can be found on:  
[http://ec.europa.eu/energy/energy\\_policy/facts\\_en.htm](http://ec.europa.eu/energy/energy_policy/facts_en.htm)

**What is meant by.....?**

*Concentration:* the degree to which a small number of firms account for a large proportion of total production/ supply.  
*Customer switching:* the extent to which customers have chosen to change their supplier of electricity/gas or have renegotiated their supply contract with the existing supplier.  
*DSO and TSO:* Distribution System Operator and Transmission System Operator respectively.  
*Independent supplier:* a supplier that is independent of producers and operators of distribution systems.  
*Market opening:* the degree to which customers have the ability to choose alternative suppliers.  
*Unbundling:* the process of separating the transmission and distribution functions of a utility from the functions of generation/production and/or supply.  
*Vertically integrated company:* a company that undertakes activities at more than one level of the supply chain i.e. production/imports, transmission, distribution and/or supply.

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