

Penalties instead of benefits

Industrial producers excessively burdened with the fees for own electricity generation



Slovak enterprises have the second most expensive electricity in the EU after Cyprus, whose high prices are partially explained by the lack of options for foreign electricity trade. According to a study by the Financial Policy Institute (IFP) at the Slovak Finance Ministry, the price of electricity for Slovak enterprises is above the European average.

What's behind the price of electricity in Slovakia?

The price of electricity for an industrial consumer consists of three basic components: the electricity price as a commodity, the electricity transmission fees, and a combination of the tariff for system operation (TPS), the tariff for system services (TSS) and the Slovak National Nuclear Fund fee (NJF SR).

The price of electricity as a commodity represents approximately 50 – 60% of the total purchase price and depends on the supply and demand in the electricity market. The remaining 40% include the fees and/or tariffs paid to the “Slovak Electricity Transmission System” (SEPS), which is the transmission system operator in Slovakia. The transmission fees are regulated and must be approved by the Regulatory Office for Network Industries (ÚRSO).

A comparative study of the European Network of Transmission System Operators shows that the regulated fees in Slovakia in 2010 were among the highest in Europe. These high fees, which cause higher final prices, can often discourage new subjects from entering the market and thus hinder competition.

The TPS and TSS make up a separate group of fees. The first provides compensation and support for electricity generation

from renewable energy sources (OZE), combined electricity and heat generation (KVET), domestic coal, and nuclear waste. The other covers expenses related to system services within the transmission grid and network reliability and stability level maintenance. Since 2011, a contribution to the National Nuclear Fund has been introduced to set up a framework for tackling the so called “historic debt” or “historic financial deficit” related to the accumulation of resources necessary to cover the expenses of the final phase of the nuclear energy generation.

Electricity prices in 2011

In order to compensate the costs resulting from OZE support (in Slovakia mainly solar and photovoltaic power plants), there was a significant raise in the price of electricity in 2011 through increased TPS, which rose from €6.30/MWh to €14.85/MWh for all large electricity consumers. In the case of U.S. Steel Košice, whose annual purchase level is 650,000 MWh, the total price of electricity increased by 13% from 2010, despite savings of almost 5% on the commodity purchase.

In addition, some companies, including U.S. Steel Košice, not only purchase

electricity from the market, but also generate it for their own consumption. Because of this, the increase in TPS had a double negative impact since legislation called for a 30% increase in the tariff, as well as the TSS, applied also to the electricity generated and consumed by a producer directly at its production site – so-called “electricity self-generation.”

A “special deal” for electricity self-generators in 2012

To the great surprise of electricity self-generators, ÚRSO passed Decree No. 225/2011 determining the price regulation in power engineering in July 2011, raising both tariffs from 30 to 100% even for electricity generated in a company's own facility and consumed for its own needs. No matter how irrational this measure may be, U. S. Steel Košice and all other industrial producers have not succeeded in persuading ÚRSO to overturn this decision.

All the companies concerned believe their arguments are

indisputable. The electricity they produce is consumed within their own facilities and is not supplied to the transmission system. There is no reason to share the increased costs from TPS and TSS as the scope of services they cover remains unchanged. Their power generation is stable in principle and they bear the costs of deviation resulting from the process (unlike producers using OZE). In addition, most of these companies use energy resources that are the by-products from their core activities, so they not only help to reduce the primary use of energy resources, but also significantly reduce the environmental burden.

It is unacceptable, in our opinion, that businesses investing considerable resources into their own electricity generation facilities, thereby decentralizing power generation and increasing the energy efficiency, are being discouraged by such a high tariff burden. Instead of penalizing them, the Regulatory Office should adopt measures motivating such investment by industrial producers. This is what the Energy Policy of the Slovak Republic is calling for.

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