

# Regulatory Process: The Slovak Examples



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# Reason for regulation of network industries



- Natural monopolies
- Protection of consumers' interests
- Protection of licence holders to achieve reasonable return rates on investment
- Promotion of efficient operation of business entities
- Attracting investment required for optimal maintenance and development of the industry

# Regulatory Framework

## Legislation

- Energy Act of 1998 and 2004
- Heating Act of 2004
- Act on Regulation in Network Industries of 2001 (created RONI)
- Amendment of Act on Regulation of 2004

## Regulation

- Till 31<sup>st</sup> July, 2001
  - Ministry of Economy authorization
  - Ministry of Finance pricing policy
- Since 1<sup>st</sup> August, 2001
  - RONI authorization
  - Ministry of Finance pricing policy
- Since 1<sup>st</sup> January, 2003
  - RONI authorization + pricing policy



# Position of RONI

- State administration office
- Budgetary organization
- Objectives (listed in the legislation):
  - Create conditions that simulate market competition
  - Promote competition
  - Protect consumers against dominant market players
  - Allow regulated entities to earn reasonable rate of return on investment
  - Ensure reliable, efficient and good quality provision of goods and services in regulated activities

# Scope of regulation

- Granting of permits (licenses) to perform Regulated Activities
- Regulation of prices and tariffs
- Setting conditions for access to networks
- Setting rules for energy markets
- Compliance control of business done by Entities Subject to Regulation



# Bodies of RONI

- Chairman
- Regulatory Council
  - six members
- Regulatory Office
  - administrative office with executive departments, about 74 staff members

# Chairman of RONI

- directs RONI and responsible for the activities of the latter,
- acts as statutory body of the Office on behalf of the Office in all matters,
- signs legal regulations issued by the Office,
- approves Rules of Organization of the Office following its review by Regulatory Council,
- acts also as Chairman of the Regulatory Council.



# Regulatory Council

- determines the regulatory policy and the tools to implement it,
- approves draft budget of the Office,
- elects, from among members of Regulatory Council, Chairman and Vice-Chairman,
- approves Rules of Proceedings of Regulatory Council,
- approves reports on Office activities,
- makes decisions on appeals against first-level decisions,
- quorum is at least 4 members, including Chairman or Vice Chairman.



# Regulatory Office

- First level decision making on
  - Licenses
  - Prices and tariffs
  - Business conditions in regulated activities
- Supports Chairman and Regulatory Council in their decision making

# Independence of RONI (1)

- Members of Regulatory Council are appointed by President of the Slovak Republic, at the suggestion of the Parliament (3 members) and the Government (3 members),
- The term of the Regulatory Council members is six years,
- Decisions at RONI are guided by the statute and the rules on public proceedings,
- RONI can issue secondary legislation.

# Independence of RONI (2)

- Membership in Regulatory Council can cease to exist
  - upon the elapsing of the term,
  - by resigning from the office,
  - by being recalled from the office,
  - upon the member having been presumed dead.
- President of the Slovak Republic can recall Regulatory Council member if such a member
  - does not meet criteria of membership (citizenship, education, no criminal record, experience)
  - becomes an official or employee in a public office,
  - performs business or have interest in regulated activities,
  - does not execute his/her office for more than six months.

# Accountability of RONI (1)

- RONI's decisions are subject to the rules of public administrative proceedings (defined in legislation)
- First level decisions (by RONI's departments) can be appealed to the Regulatory Council,
- Second level decisions (by Regulatory Council) can be reviewed by the Court,
- Exception
  - Decisions on prices and tariffs are final; they can be appealed to or reviewed by the Court.



# Accountability of RONI (2)

- RONI's department directors report to Chairman,
- Chairman is elected by the Regulatory Council,
- RONI reports to the Parliament on its activities on an annual basis,
- RONI's Chairman/Vice Chairman participates in meetings of Parliamentary Energy Committee,
- Regular consultation with Ministry of Economy and other Government bodies (formal and informal),
- RONI can be inspected by the National Control Office,



# Accountability of RONI (3)

- Proceedings at RONI are open to public except when confidential information is involved (most of the cases),
- RONI consults its draft decisions with consumers and regulated companies.



# Organization of RONI

## Official Name:

Slovak: Úrad pre reguláciu sieťových odvetví

English: Regulatory Office for Network Industries

Seat: Bratislava, Slovakia, 74 staff members

Established: August 1, 2001

## Regulated Sectors:

Electricity, Natural Gas, Heating, Water and Sewage

Legislation: Energy Act , Heating Act, Act on Regulation of Network Industries

(full harmonize with EU Directives)



# Thank you for your attention

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