

The Slovak government is playing its third energy package card

Jakub Groszkowski

On 31st July, nearly one and a half years after the deadline set, the Slovak parliament adopted the amendments to the laws relating to energy, thus implementing the EU third energy package regulations. These legislative changes introduce the liberalisation of the electricity and gas markets, and strengthen the positions of consumers and the independence of regulatory bodies. The amendments still need to be approved by the president. The regulations introduce the full ownership unbundling between the transmission and distribution companies both on the electricity and gas markets. In case of the gas market the law, however, enables the government to withdraw from ownership unbundling and to maintain the independent transmission operator (ITO) in the future. The adoption of this solution would mean that an energy company can remain the owner of both the transmission and distribution parts and exercise control over them on the condition it guarantees the independence of the two sectors.

The dominant gas supplier to Slovakia is Slovensky plynarensky priemysel (SPP), which owns the distribution company, and Eustream which manages the Slovak section of the Bratrstvo gas pipeline carrying the most of the Russian gas exported to the EU market. Although the majority shareholder in SPP (51%) is the state, managerial control is exercised by private shareholders: the German company E.ON and the French company GDF Suez which are negotiating the sell-off of their shares to the Czech-Slovak capital group Energeticky a prumyslový holding (EPH).

Commentary

- The Slovak government has been delaying the final decision about the model of liberalisation of the gas market because it allows them to have a larger influence on the transaction between E.ON and GDF Suez and EPH. In the parallel negotiations held with EPH the Slovak government will the most likely attempt to increase its impact on SPP (particularly on its pricing policy). It is not very probable that the Slovak government will regain managerial control of SPP but in exchange for adopting the ITO model (instead of ownership unbundling) by the government, the shareholders may agree to a stronger position of the government in the company. On the other hand, maintaining the decision about the introduction of a model of full ownership unbundling would mean that EPH

could not control the transmission and distribution parts of SPP at the same time and, due to this, EPH may lose interest in purchasing SPP.

- The switch to the ITO model on the gas market is probable, the more so that ownership unbundling is difficult to implement within the time frame agreed by law (by the end of February 2013). The change in the model is even more probable due to the fact that both during the negotiations of the third energy package and the work on its implementation the Slovak government opted for the ITO model. In the Slovak context this model would make control over transmission and distribution within SPP possible.
- In the electricity sector, the implementation of the third package sanctions the well-developed liberalisation of the market, which will be further strengthened by the integration of the Slovak, Czech and Hungarian markets following the market coupling model. This model harmonises trade rules on the regional energy stock exchanges. A project intended to make the transmission of energy across borders smoother is currently being tested and is to become operational from September this year.