

# **ANNEXES to THE PREVENTIVE ACTION PLAN**

**required for removing or mitigating  
identified risks for providing deliveries  
of natural gas in the Czech Republic**

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**MINISTRY OF  
INDUSTRY AND TRADE**

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## 1. PUBLIC SERVICE OBLIGATIONS RELATING TO THE SECURITY OF GAS SUPPLY

§ 12 of Act No. 458/2000 Coll. on the business conditions and public administration in the energy sectors and on amendments to other laws (the "Energy Act"), as amended states the obligations beyond the license by the license holder for distributing gas and electricity and for heat supply:

### **Obligations beyond the scope of the license**

(1) The obligation to supply heat energy, distribute electricity and distribute gas beyond the scope of the license will mean the takeover of obligations of the license holder who ceased to exercise the licensed activity by another license holder. In the case where the license holder loses its right to use the energy equipment concerned, therefore by the obligation of thermal energy supply, by the obligation of electricity or by gas distribution beyond the frame of the license, it is understood the continuation in the license business by this license holder. The owner of the power equipment is in this case obliged to provide power equipment and enable to make the license business.

(2) In an urgent need and in the public interest a license holder for production or distribution of heat energy has an obligation to provide the supply beyond the scope of the license on the Energy Regulatory Office's decision.

(3) In an urgent need and in the public interest the electricity distribution or gas distribution license holder is obliged to distribute electricity or gas beyond the scope of the license through the Energy Regulatory Office's decision.

(4) At the request of the owner or operator of the power equipment concerned or ex officio the ERO will issue a decision in accordance with paragraphs 2 and 3 for a time not exceeding 12 months. ERO is in an urgent need and the public interest entitled to extend the period of validity of a decision on a proposal from the owner or operator of the power equipment or ex officio. Appeal against such decisions have no suspensive effect.

(5) Provable loss raised to the heat energy generation or heat energy distribution license holder as a result of takeover the obligations of securing supplies beyond the scope of the license will be covered by the sources of the Energy Regulatory Fund (hereinafter "Fund") in accordance with § 14. Provable loss of the electricity distribution or gas distribution license holder or the last resort supplier is a reason for adjusting the regulated prices.

(6) If the license holder also carries out activities other than fulfilling its obligation to secure supplies beyond the scope of the license, the license holder shall keep the accounts relating to fulfill the obligations beyond the scope of the license separately.

Section 12A of the Energy Act stipulates the obligations of the last resort supplier (gas, electricity):

### **Last resort supplier**

(1) The last resort supplier inside the defined territory of the electricity or gas distribution license holder, whose equipment is connected to the transmission system or transport system, will be an electricity and gas sale licence holder who is or was part of the same vertically integrated undertaking or vertically integrated gas undertaking, such as an electricity or gas distribution licence holder at the defined territory where the consumption point is.

(2) The last resort supplier supplies electricity or gas to a customer whose electricity or gas supplier is no longer authorized or as a subject of settlement entity does not comply with the financial conditions of the settlement of imbalances or in the case of electricity based upon an agreement on bundled electricity supply services has not assured related services in the electricity industry or in the case of gas deliveries based on an agreement on bundled gas supply services has not assured related services in the gas industry. This obligation commences on the day on which the market operator informs the last resort supplier about the registration point of the consumption point of the customer where no one is responsible for deviation, lasts not longer than 6 months and does not apply to a customer whose gas consumption was higher than 630 MWh in the last 12 months.

(3) The supplier of electricity or gas, which has lost its authorization or possibility to supply electricity or gas, or does not have assured the service of distribution system, informs immediately the market operator. The distribution system operator, within its defined territory is the consumption point for which is not assured the services of the distribution system due to paragraph 2, shall inform the market operator immediately.

(4) The last resort supplier will immediately inform the customer and the distribution system operator of starting of the supply, the price and other supply conditions.

(5) If electricity or gas is supplied by the last resort supplier, the distribution system operator will

provide the last resort supplier with the identification data of the customer.

(6) The last resort supplier is not obliged to supply electricity or gas if the supplier detects unauthorized off-take at the consumption point.

(7) The last resort supplier supplies electricity or gas for a period not more than 6 months to a household with a new consumption point to which neither electricity nor gas were ever supplied and that in the case if the last resort supplier was asked to supply the household.

(8) When the last resort supplier starts to supply electricity or gas, the supplies from the original supplier to the customer are terminated.

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## 2. OVERVIEW OF CONSUMPTION LEVELS

(a) **the basic level**, which means unabridged consumption according to the contractually agreed daily gas demand;

(b) **consumption levels for limiting gas supply**, namely

1. **Consumption level number 1**, which means a restriction of gas supply to the consumption points of group A customers in the scope of their switchover to substitute fuel,
2. **Consumption level 2**, which means a reduction of gas supply to the consumption points of group A customers to the extent of their possibility of switching to substitute fuel and limiting the daily gas consumption at consumption points of group B1 customers, to the value of the allowed daily consumption.
3. **consumption level number 3**, which means a restriction of gas supply to the consumption points of group A customers within the scope of their possibilities of switching to substitute fuel and limiting daily gas consumption at consumption points of customers of groups B1 and B2
4. **Consumption level 4**, which means a reduction in the supply of gas to the consumption points of Group A customers to the extent of their possibility of switching to substitute fuel, limiting the daily gas consumption at the consumption points of customers of groups B1 and B2, to the value of the allowed daily consumption; Reduction of daily gas consumption at consumption points of group C2 customers by 70% against daily value for the nearest previous working day
5. **consumption level 5**, which means a restriction of gas supply to the consumption points of group A customers within the scope of their possibility of switching to substitute fuel, limiting daily gas consumption at consumption points of customers of groups B1 and B2, to the value of daily consumption, reduction gas consumption at the consumption points of Group C2 customers by 70% against the daily value for the next preceding business day, as well as a reduction in daily gas consumption at consumption points of Group E customers by 20% against the value stated in the gas distribution contract,

c) **consumption levels** for gas supply interruption, namely

1. **consumption level number 6**, which means interruption of gas supply to the consumption points of group B1 customers, limitation of daily gas consumption at consumption points of group B2 customers, to the value of the allowed daily consumption, limitation of gas supply to the consumption points of group A customers to their extent Possibility of transition to substitute fuel, reduction of daily gas consumption at consumption points of group C2 customers by 70% against daily value for the next previous working day and reduction of daily gas consumption at consumption points of group E customers by 20% against value stated in gas distribution contract,
2. **consumption level 7**, which means the gas supply to customer points B1 and B2 is interrupted, the daily gas consumption is reduced by 70% compared to the daily value for the next preceding business day; Group A to the extent of their ability to switch to substitute fuel and to reduce the daily gas

consumption at consumption points of Group E customers by 20% against the value specified in the gas distribution contract,

3. **Consumption level number 8**, which means the gas supply is interrupted to the consumption points of customers of groups A, B1, B2 and C2 and the daily gas consumption at consumption points of group C1 customers decreased by 20% against the daily value for the next preceding working day and the daily consumption decreased at the consumption points of Group E customers by 20% against the value specified in the gas distribution contract,

4. **consumption level number 9**, which means interruption of transport, distribution and supply of gas to the consumption points of customer groups A, B1, B2, C2, E and reduction of daily gas consumption at consumption points of group C1 customers by 20% against daily value to the nearest previous working day,

5. **consumption level number 10**, which means the interruption of the transmission, distribution and supply of gas to the supply points of customers of groups A, B1, B2, C1, C2, D and E,

(d) **the emergency consumption level**, which means that the gas supply to the consumption points of the customer group A, B1, B2, C1, C2, D, E and F is interrupted.

### 3. DEFINITION OF A PROTECTED CUSTOMERS ACCORDING TO ARTICLE 2, CLAUSE 5, PARAGRAPH B) AND B) OF THE REGULATION (EU):

Based on the decision of the Competent Authority mentioned in § 2 of the decree on emergencies in the gas industry, this group includes the following **C1, D** and **F**:

- a) group **A** is the consumption points of customers with a predicted annual consumption of more than 630 MWh with the possibility of fully or partially switching to an alternative fuel;
- b) group **B1** is the consumption points of customers mainly with technological consumption up to a predicted annual consumption of more than 52,500 MWh not included in groups A or D; these consumption points are included in this group if the sum of actual needs in the last quarter of the previous year and the first quarter of this year is less than 70% of the total consumption for the period from 1 April of the previous year to 31 March of this year; if no actual consumption is available, it will be replaced by the planned monthly consumption specified in the distribution contract;
- c) group **B2** is the consumption points of customers mainly with technological consumption up to a predicted annual consumption of 4,200 MWh to 52 500 MWh not included in groups A or D; these consumption points are included in this group if the sum of needs in the last quarter of the previous year and the first quarter of this year is less than 70% of the total consumption for the period from 1 April of the previous year to 31 March of this year; if no actual consumption is available, it will be replaced by the planned monthly consumption specified in the distribution contract;
- d) group **C1** is the consumption points of district heating equipment mainly with consumption for heating up to a predicted annual consumption of more than 4,200 MWh not included in groups A or D; these consumption points are included in this group if the total consumption for the last quarter of the previous year and the first quarter of this year is 70% or more of the total consumption for the period from 1 April of the previous year to 31 March of given year and if the customers in this group provide more than 20% of their total produced thermal energy to households, health care facilities and social service facilities; if no actual consumption is available, it will be replaced by the planned monthly consumption specified in the distribution contract;
- e) group **C2** is the consumption points of customers mainly with consumption for heating up to a predicted annual consumption of more than 4,200 MWh not included in groups A or D; these consumption points are included in this group if the total consumption in the last quarter of the previous year and the first quarter of this year is 70% or more of the total consumption for the period from 1 April of the previous year to 31 March of given year and they are not classified in group C1; if no actual consumption is available, it will be replaced by the planned monthly consumption specified in the distribution contract;
- f) group **D** is the consumption points of key social services customers with a predicted annual consumption per year of more than 630 MWh producing foods for daily consumption, including but not limited to perishable food processing, animal production operations with animal death hazard, producing fuels, communal incinerator plant waste, power for public transport vehicles, health care facilities, social service facilities<sup>2)</sup>, basic elements of the Integrated Emergency Response system, reconstruction facilities, crematoriums as well as the Czech National Bank; specific customers are classified by the transmission system operator for the consumption points of the customers connected directly to the transmission system or distribution system operator for the consumption points of the customers connected directly to the distribution system (hereinafter the "competent operator") for informing the local and competent regional authority or the Prague Municipality Office. For the SoS purposes this group is divided to:



1. subgroup D1 with prevailing heating consumption, which belong to customers' supply points, if the sum of consumption figures for the last quarter of the previous year and the first quarter of the given year is 70% or more of total consumption for the period from 1 April of the previous year to 31 March of the given year; if there is no indication of actual consumption, the actual will be replaced by the planned monthly consumption given at the distribution contract,
  2. subgroup D2 with the prevailing technological consumption, which belong to customers' supply points, if the sum of consumption figures for the last quarter of the previous year and the first quarter of the given year is less than 70% of the total consumption for the period from 1 April of the previous year to 31 March of the given year; if there is no actual consumption, the actual will be replaced by the planned monthly consumption given at the distribution contract,
- g) group E is the consumption points of customers with a predicted annual consumption of 630 MWh to 4,200 MWh not included in groups A or D;
- h) group F is the consumption points of small and medium enterprises customers with a predicted annual consumption per year of up to 630 MWh and households.

#### 4. QUANTIFICATION OF 20% TRESHOLD FOR PROTECTED CUSTOMERS

The definition of **protected customers** in the European Commission Regulation includes households connected to the natural gas distribution network, primary social service providers and district heating equipment to the extent that they supply heating to households and entities mentioned above.

Under Article 2 (5) of Regulation 2017/1938, the extension of the definition of protected consumers to key social service providers and SMEs should not represent more than 20% of final gas consumption. Statistical data obtained from the Czech Statistical Office show that these groups of protected consumers did not exceed 20%. In 2017 the consumption of natural gas for households was 29.9%, **SMEs 13.2%**, **Key social services 6,3%** and district heating 3.3%.

## 5. SCOPE OF SECURITY STANDARD

**Definition of the supply standard and related measures - Annex no. 3. to Decree no. 344/2012 Coll., as amended Decree MPO no. 215/2015 Coll.**

**Scope of the Security of supply standard is determined as follows:**

a) In the event of extraordinary temperature values during the seven-day peak period, the market operator provides the data published by the Czech Hydrometeorological Institute coldest 7 consecutive days for the entire country for the past 20 years and from these days it is chosen the day with the lowest temperature reached. The market operator sets this date including the year for which the gas trader determines the scope of its security of supply standard as the day G. Further he sets the day H, which is the same day of the previous calendar year.

Gas trader determines the scope of its security standard for  $R^{\max.\text{day}}$  for period G (ie. the expected maximum daily capacity at the lowest temperature attained in the last 20 years) summing the safety standard C1, D1, F  $R^C$  for customers' consumer points groups C1, D1, and F with measurement of type C and security standard C1, D1, F  $R^{A,B}$  for customers' consumption points groups C1, D1, and F with measurement of type A and B and the security standard D2RA, B, C for customers' consumption points group D2, namely:

$$R^{\max.\text{day}} = (C1, D1, F) R^C + (C1, D1, F) R^{A,B} + (D2) R^{A,B,C}.$$

Security standard (C1, D1, F)  $R^C$  is calculated according to the equation:

$$(C1, D1, F) R^C = M \times \sum (C1, D1, F) S_i^C \times K_i^{\max.\text{day}},$$

where

(C1, D1, F)  $S_i^C$  is the sum of the current planned annual consumption of supply points of protected customers categories C1, D1, and F with measurement of type C in the i-th class of type supply diagram (hereinafter referred to as "TDD"),

$K_i^{\max.\text{day}}$  is coefficient of i-th class TDD for day G, recalculated at the lowest temperature reached in the same month and day for the last 20 years,

**M** is a coefficient correcting range of security standard for the given month and its amount for each month of the year is given in the following table:

October	November	December	January	February	March	April	May	June	July	August	September
0.4	0.7	0.9	1.0	0.9	0.7	0	0	0	0	0	0

Similarly, the Security standard (C1, D1, F)  $R^{A,B}$  is calculated according to the equation:

$$(C1, D1, F) R^{A,B} = M \times (C1, D1, F) S^{A,B} \times L^{max.day},$$

where

(C1, D1, F)  $S^{A,B}$  is the sum of the actual consumption of supply points of protected customer groups C1, D1, and F with measurement type A and B on day H

$$L^{max.day} = TDD_G^{SO3} / TDD_H^{SO3}$$

$TDD_G^{SO3}$  is coefficient according to valid methodology TDD for the class of SO3 for a day G, equivalent to the lowest temperature reached in the same month and day for the last 20 years,

$TDD_H^{SO3}$  is coefficient according to valid methodology TDD for the class of SO3 for day H recalculated on actual temperature for this day.

Security standard (D2)  $R^{A,B,C}$  is calculated according to the relation:

$$(D2) R^{A,B,C} = M \times (D2) S^{A,B,C},$$

where

(D2)  $S^{A,B,C}$ , the maximum daily consumption supply points protected customer group D2 from 1. 10. to 31. 3. of the previous period.

- b) In case of exceptionally high gas demand of at least 30 days, the market operator sets from the data published by the Czech Hydrometeorological Institute 30 coldest consecutive days for the entire country for the past 20 years. The market operator sets these 30 days with the year for which the trader determines the scope of its security standard, as a period I. Furthermore he also lays down period J, which is the same period of last year. Gas trader determined the scope of its security of gas supply standard  $R^{30days}$  as a sum of the security standard C1, D1, F  $R^C$  for customers' supply points groups C1, D1, and F with measurement of type C and security standard (C1, D1, F)  $R^{A,B}$  for customers 'supply points groups C1, D1, and F with measurement of type A and B and the security standard (D2)  $R^{A,B,C}$  for customers' supply points of group D2, ie

$$R^{30days} = (C1, D1, F) R^C + (C1, D1, F) R^{A,B} + (D2) R^{A,B,C}$$

Security standard (C1, D1, F)  $R^C$  is calculated according to the equation:

$$(C1, D1, F) R^C = M \times \sum (C1, D1, F) S_i^C \times K_i^{30days},$$

where

(C1, D1, F)  $S_i^C$  is the sum of the current planned annual consumption of supply points of protected customer groups C1, D1, and F with measurements of type C in the i-th grade TDD,  $K_i^{30days}$  is the sum of the coefficients of the i-th class TDD in the period I, recalculated on temperatures reached during the coldest 30 consecutive days for the entire country for the past 20 years.

Similarly, the security standard C1, D1, F  $R^{A,B}$  is calculated according to the equation:

$$(C1, D1, F) R^{A,B} = M \times (C1, D1, F) S^{A,B} \times L^{30days},$$

where

$(C1, D1, F) S^{A, B}$  is the sum of actual consumption of supply points of protected customer groups C1, D1, and F with measurement of type A and B in the period J,

$$L^{30days} = \frac{\sum TDD_i^{SO3}}{\sum TDD_j^{SO3}}$$

$\sum TDD_i^{SO3}$  is the sum of the coefficients TDD for Class SO3 for the period I, recalculated on temperatures reached during the coldest 30 consecutive days for the entire country for the past 20 years,

$\sum TDD_j^{SO3}$  is the sum of the coefficients TDD for class SO3 in the period J, converted at the actual temperature achieved during individual days of this period.

Security standard  $(D2) R^{A, B, C}$  is calculated according to the relation:

$$(D2) R^{A, B} = M \times (D2) S^{A, B, C}$$

where

$(D2) S^{A, B, C}$ , the maximum monthly consumption of supply points of protected customers group D2 from October to March of the previous period.

c) In the event of disruption of the single largest gas infrastructure of at least 30 days, the market operator provides the 30 coldest consecutive days from the current normal temperatures for the whole country. The market operator sets these 30 days with the year for which the trader determines the scope of its security standard, as a period T. Furthermore he also lays down period U, which is the same period of the last year.

Gas trader determined the scope of its security of gas supply standard  $R^{N-1}$  summing the security standard  $(C1, D1, F) R^C$  for consumption points of protected customers groups C1, D1, and F with measurement of type C and security standard  $(C1, D1, F) R^{A, B}$  for consumption points of protected customers groups C1, D1, and F with measurement of type A and B and the security standard  $(D2) R^{A, B, C}$  for consumption points of customers group D2, ie

$$R^{N-1} = (C1, D1, F) R^C + (C1, D1, F) R^{A, B} + (D2) R^{A, B, C}$$

Security standard  $(C1, D1, F) R^C$  is calculated according to the equation:

$$(C1, D1, F) R^C = M \times \sum (C1, D1, F) S_i^C \times K_i^{N-1},$$

where

(C1, D1, F)  $S_i^C$  is the sum of the current planned annual consumption of supply points of protected customer groups C1, D1, and F with measurement of type C in the i-th grade TDD,  $K_i^{N-1}$  is the sum of the coefficients of i-th class TDD for the period T, converted to current normal temperatures during this period.

Similarly, the safety standard (C1, D1, F)  $R^{A,B}$  is calculated according to the equation:

$$(C1, D1, F) R^{A,B} = M \times (C1, D1, F) S^{A,B} \times L^{N-1}$$

where

(C1, D1, F)  $S^{A,B}$  is the sum of actual consumption of supply points of protected customer groups C1, D1, and F with measurement of type A and B for the period U,

$$L^{N-1} = \sum TDD_T^{SO3} / \sum TDD_U^{SO3}$$

$\sum TDD_T^{SO3}$  is the sum of the TDD coefficients for the class SO3 in the period T, converted to current normal temperatures in this period,

$\sum TDD_U^{SO3}$  is the sum of the TDD coefficients for the class SO3 in the period U, converted to actual temperature reached in the individual days of this period.

Security standard (D2)  $R^{A,B,C}$  is calculated according to the relation:

$$(D2) R^{A,B,C} = M \times (D2) S^{A,B,C}$$

where

(D2)  $S^{A,B,C}$ , the maximum monthly consumption of supply points of protected customers group D2 from October to March of the previous period.

(2) The coefficients  $K^{\max.day}$ ,  $L^{\max.day}$ ,  $K^{30days}$ ,  $L^{30days}$ ,  $K^{N-1}$ ,  $L^{N-1}$  are given to four decimal places, the constant M to one decimal place. The market operator provides these coefficients on days G and H and the period I, J, T and U, and publish it pursuant to Annex no. 4 hereto.

(3) Data on actual consumptions of supply points of protected customers with measurement of type A and B and a planned annual consumptions of supply points of customers with measurement of type C with a resolution of TDD class are available in the market operator's system.

(4) The scope of security standard is set just for these consumer points of the protected customers with measurement of type A and B that have been connected before day H and before the first day of the period J and U.

(5) In the event that on the consumption point of protected customer will change the type of measurement from C to A or B, gas trader provides daily share of consumption by recalculating of the last known planned annual consumption, and class TDD into individual days of period J or U, or on day H according to valid TDD methodology.

(6) The value of security standard is measured in MWh rounded to one decimal place.

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