

The background of the cover is a dark blue color with a repeating geometric pattern of white lines forming interconnected hexagons and triangles. The pattern is centered and covers the entire page.

National Report

**of the President
of Energy Regulatory Office
2021**

July 2021

Table of contents

Abbreviations used in the report	4
1. Foreword	7
2. Main developments in the electricity and gas markets.....	8
3. Electricity market	12
3.1. Network regulation and technical functioning	12
3.1.1. Unbundling	12
3.1.2. Network extension and optimization	14
3.1.3. Network tariffs.....	17
3.1.4. Security and reliability regulation	17
3.1.5. Monitoring the balance of supply and demand	22
3.1.6. Cross-border issues.....	28
3.1.7. Implementation of network codes and guidelines	33
3.1.8. Electromobility	42
3.2. Competition and market operation	43
3.2.1. Wholesale market.....	43
3.2.1.1. Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition	47
3.2.2. Retail market	53
3.2.2.1. Monitoring prices, market transparency and market opening and competition	54
3.2.2.2. Consumer protection and disputes settlement	58
4. The natural gas market.....	60
4.1. Network regulation	60
4.1.1. Network and LNG tariffs for connection and access	60
4.1.2. Balancing the system	68
4.1.3. Cross-border issues	69
4.1.4. Implementation of network codes and guidelines	80
4.2. Competition and market functioning	84
4.2.1. Wholesale market	84
4.2.1.1. Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition	85
4.2.2. Retail market	87
4.2.2.1. Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition	88
4.2.2.2. Consumer protection and disputes settlement	92
4.3. Security of supply	92
5. Antimonopoly proceedings in cases of competition restricting practices and other activities undertaken by the President of UOKiK in relation to companies in the energy sector	96

Abbreviations used in the report

ACER	Agency for the Cooperation of Energy Regulators
Directive 2009/73/EC	Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (EU OJ L 211/94, as amended)
Directive 2019/944	Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (EU OJ L 158/125)
ENTSO-E	The European Network of Transmission System Operators for electricity
ENTSO-G	The European Network of Transmission System Operators for gas
GK PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. group
DNC	Distribution Network Code
TNC	Transmission Network Code
NES	National Electricity System
OGP Gaz-System S.A.	Operator Gazociągów Przesyłowych Gaz-System S.A.
DSO	Distribution System Operator
SSO	Storage System Operator
TSO	Transmission System Operator
RES	Renewable Energy Sources
PGNiG S.A.	Polskie Górnictwo Naftowe i Gazownictwo S.A.
President of URE	President of Energy Regulatory Office
President of UOKiK	President of Office of Competition and Consumer Protection
PSE S.A.	Polskie Sieci Elektroenergetyczne S.A.
PSG Sp. z o.o.	Polska Spółka Gazownictwa Sp. z o.o.
Regulation No 714/2009	Regulation (EU) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003 (EU OJ L 211/15 as amended) – <i>repealed on 31 December 2019</i>
Regulation No 715/2009	Regulation (EU) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 (EU OJ L 211/36 as amended)
CACM GL	Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (EU OJ L 197/24, as amended)
RfG NC	Commission Regulation (EU) 2016/631 of 14 April 2016 establishing a network code on requirements for grid connection of generators (EU OJ L 112/1, as amended)

DC NC	Commission Regulation (EU) 2016/1388 of 17 August 2016 establishing a Network Code on Demand Connection (EU OJ L 223/10)
HVDC NC	Commission Regulation (EU) 2016/1447 of 26 August 2016 establishing a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (EU OJ L 241/1)
FCA GL	Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (EU OJ L 259/42)
SOGL	Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (EU OJ L 220/1)
EB GL	Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EU OJ L 312/6)
ER NC	Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration (EU OJ L 312/54 as amended)
Regulation 2019/943	Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (EU OJ L 158/54)
REMIT Regulation	Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (EU OJ L 326/1)
BAL NC	Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks (EU OJ L 91/15)
CAM NC	Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013 (EU OJ L 72/1)
INT NC	Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules (EU OJ L 113/13)
TAR NC	Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (EU OJ L 72/29)
electricity tariff ordinance	Ordinance of the Minister of Energy of 6 March 2019 on the detailed rules for the development and calculation of tariffs and settlements in electricity trade (JoL of 2019, item 503, as amended)
gas tariff ordinance	Ordinance of the Minister of Energy of 15 March 2018 on the detailed rules for development and calculation of tariffs and settlements in trade in gaseous fuels (JoL of 2021, item 280)
SGT EuRoPol GAZ S.A.	System Gazociągów Tranzytowych EuRoPol GAZ S.A.
TGE S.A.	Towarowa Giełda Energii S.A.
TPA	Third Party Access
EU	European Union
URE	Energy Regulatory Office
Energy Law Act	Energy Law Act of 10 April 1997 (JoL of 2020 item 833, as amended)
Electromobility and Alternative Fuels Act	Act of 11 January 2018 on electromobility and alternative fuels (JoL of 2021 item 110)
RES Act	Act of 20 February 2015 on renewable energy sources (JoL of 2021 item 610)

Act on Stocks	Act of 16 February 2007 on stocks of crude oil, petroleum products and natural gas, the principles of proceeding in circumstances of a threat to the fuel security of the State and disruption on the petroleum market (JoL of 2020 item 411)
Pricing Act	Act of 28 December 2018 amending the Excise Duty Act and certain other acts (JoL of 2018 item 2538, as amended)

1. Foreword

The National Report of the President of URE presents the situation on the Polish electricity and gas market in 2020. The report also presents actions taken by the Polish regulator to develop competition, balance the interests of energy companies and customers and integrate the Polish gas and electricity markets.

Last year many areas of life, not only economic, were dramatically changed due to the COVID-19 epidemic outbreak. The President of URE carefully analyzed regulations which should be modified in order to ensure continuity of operation of enterprises on the energy market. By participating in the government's work on the so-called anti-crisis shield, the regulator presented a number of postulates concerning, among others, extension of reporting deadlines for entrepreneurs. The anti-crisis shield has, among others, introduced regulations allowing energy and gas infrastructure companies to submit draft development plans and reports on their implementation to the President of URE for approval even one year later, extended deadlines for certain information obligations under the Act on Stocks and modified regulations concerning suspension of electricity supply.

The processes taking place in the domestic energy market were influenced by changes in national legislation and new EU regulations. Among other things, a new tool was introduced in 2020 to shape tariffs for infrastructure companies – the so-called regulatory account (for natural gas, the regulatory account applies only to energy companies conducting activity in the area of transmission of gaseous fuels). The regulatory account mechanism will allow for stabilization of revenue of regulated energy companies and will curb investment risk.

Work continued on the implementation of the network codes and the "Clean Energy for All Europeans" package, in which the President of URE actively participated both at the ACER level and in its national capacity. In September, the regulator approved amendments to the Capacity Market Rules, which were aimed at adapting the rules valid on the Polish market to the provisions resulting from the aforementioned EU package in terms of compliance with emission limits for units participating in capacity auctions.

A detailed description of the condition of the electricity and gas markets in Poland and actions taken by the Polish Regulator in 2020 has been presented in this National Report of the President of URE, submitted to the European Commission and ACER. In doing so, the President of URE fulfils its reporting obligation under Polish and European law.



2. Main developments in the electricity and gas market

Legal and regulatory changes

The year 2020 saw special circumstances in connection with the COVID-19 epidemic outbreak, which resulted in the introduction of a number of regulations aimed at mitigating adverse socio-economic effects. These changes also included the energy sector. As an example of such regulations, one should cite Article 6g of the Energy Law Act, which limits the possibility of suspending the supply of energy and gaseous fuels in connection with the declaration of an epidemic emergency or a state of epidemics¹⁾. Another example is the provisions extending the deadline for certain obligations on energy companies and allowing them to continue operating despite the expiry of their licences²⁾.

In 2020, a number of amendments were introduced in the broad area of energy law. However, these were not fundamental changes. With regard to the amendment of the Energy Law Act, the changes made in most cases did not bring key solutions from the point of view of the competence of the President of URE. They were rather aimed at adjusting this act to amendments of other important legal regulations, as well as at putting in order the areas covered by the regulation in terms of their proper functioning.

On 1 December last year, an amendment to the electricity tariff ordinance came into force, which significantly changes the rules for shaping and calculating tariffs and settlements in electricity trade. The Ordinance of the Minister of Climate and Environment introduced a new tool in the shaping of tariffs for infrastructure companies – the so-called regulatory account. We have included an advance payment for this account for the first time when approving tariffs for 2021 for distributors. In the tariff approval process, we also included additional remuneration for those investment projects whose implementation supports Poland's energy policy. The additional funds will allow the DSOs to have stable and predictable revenues, thus increasing the stability of their operations.

In the natural gas area, the regulatory account applies to energy companies conducting activity of transmission of gaseous fuels. In 2020, the regulatory account was settled for the first time for a gas TSO, by a decision of the President of URE.

During the reporting year, work continued on the "great" amendment to the Energy Law, among others, implementing the provisions of Directive 2019/944. The scope of the proposed amendments is very extensive and will undoubtedly have a significant impact on the functioning of individual regulated markets and, consequently, will obviously translate into the powers and duties of the regulatory authority. Work on the Act was completed in 2021.

Assessment of market and regulatory changes

The Polish energy sector is undergoing transformation, which concerns each of its areas: heating, electricity and gas. The URE itself and its structure are also facing new tasks: this should correspond to the challenges ahead of both the market regulator and the markets themselves.

Essential to the transformation process is a complementary view of energy markets, which require change and at the same time support change. Consequently, this requires adjustment of regulatory tools in a number of areas, both those deriving from legislation and those applied under powers already granted to the regulator and those applied under administrative discretion. However, the overriding aim

¹⁾ The introduced Article 11 of the Act of 31 March 2020 on amending the Act on special solutions related to the prevention, counteracting and combating COVID-19, other infectious diseases and crisis situations caused by them, and some other acts (JoL of 2020, item 568), amended by the Act of 19 June 2020 on subsidies to interest rates of bank loans granted to entrepreneurs affected by the effects of COVID-19 and on simplified proceedings for approval of an arrangement in connection with the occurrence of COVID-19 (JoL of 2020, item 1086).

²⁾ Article 15 zzzzs of the Act of 2 March 2020 on special solutions related to the prevention, counteracting and combating of COVID-19, other infectious diseases and crisis situations caused by them (JoL of 2020, item 1842, as amended).

of regulation should remain balancing the interests of energy enterprises and energy customers, as any change process should be socially acceptable.

Regulatory policy needs to be adapted particularly in the area of investment, and the main emphasis should be on this area. The focus is therefore on improving the conditions for investment by energy companies and on promoting the specific effects resulting from investment, not just on the investment process itself. This means introducing a qualitative dimension into regulatory policy, as well as targeting investments so that they achieve, as far as possible, the strategic objectives set for the energy sector.

Energy transformation involves primarily the dynamic development of renewable energy sources, to a large extent those connected to the distribution networks. The key in this process is to ensure balance between the benefits of "greening" the energy sector and the costs resulting from the cooperation of these sources with the energy system, including their contribution to the security of system operation. An appropriate technological balance of RES should be the answer to this challenge, as well as support for development of hybrid sources, that is next generation RES power industry.

An important area of the regulator's activity is the monitoring and control of the functioning of energy markets. In particular, the regulator monitors the wholesale electricity and gas markets and the behaviour of participants in those markets for any phenomena that could be considered as manipulation or attempted manipulation as well as illegal use of inside information. The implementation of the tasks of the regulatory body in the area of REMIT becomes even more important in light of the progressing consolidation of the energy sector, as well as the proposed changes in the way markets operate, reducing their transparency and, consequently, limiting self-regulatory mechanisms in terms of controlling the behaviour of market participants. Along with such changes, market control tools should be strengthened, including ensuring adequate resources of the regulatory body for efficient and effective implementation of tasks in the REMIT area.

The regulator also monitors on an ongoing basis the manner in which energy enterprises fulfil their public-law obligations, and in justified cases exercises its powers in the area of imposing financial penalties. In 2020, the total amount of such penalties imposed by the President of URE amounted to over PLN 392 million.

The activity of the URE is also an important contribution to increasing the transparency of operations and removing barriers to market access. As part of our duties, we calculate and publish a number of indicators, primarily price indicators, which characterize the functioning of regulated markets.

The regulator carefully and on an ongoing basis analyzes regulations that should be changed, proposing appropriate amendments or new legislation. It also actively participates in many legislative processes. In this way, the President of URE meets the expectations of entrepreneurs, while protecting the interests of energy customers. These activities were particularly important in the period of the epidemic and the resulting restrictions, as they contributed to ensuring continuity of business operations and stability of energy supplies.

Implementing the "Clean Energy for All Europeans" package (CEP)

On 4 July 2019, Regulation 2019/943, which replaced Regulation 714/2009, entered into force. However, this does not affect the validity of the network codes and guidelines adopted so far, and work on their implementation continues, both on the TSO and NEMO side and on the side of the regulators and ACER. It should be noted that Regulation 2019/943 has imposed a number of new regulatory obligations on regulators and ACER.

Article 16(8) of Regulation 2019/943 imposed an obligation on the TSO to make cross-zonal capacity available to market participants at a level of not less than 70% of the capacity at a given border or critical network element, determined respecting operational security limits of the system. As the aforementioned conditions could not be fulfilled by the Polish TSO at the moment of entry into force of the aforementioned regulation, an action plan was developed by the competent ministry, in cooperation with the President of URE and the Polish TSO, pursuant to Article 15 of the aforementioned regulation, which defines the level of minimum cross-zonal trading capacities to be made available to market participants by the Polish TSO from the beginning of 2020 until the end of 2025. This plan shall also include a timetable for the adoption of measures to achieve the target level of minimum capacity of 70% of the transmission capacity in accordance with Article 16(8) of Regulation 2019/943.

Regulation 2019/943, in Article 16(9), provides for the possibility of granting a derogation from the obligation to make cross-zonal capacity available in accordance with paragraph 8 of that Article

where this is necessary to maintain operational security. In 2020, the decision of the President of URE of 31 December 2019 was in force³⁾ granting PSE S.A. such a derogation, while on 21 December 2020 the decision of the President of URE⁴⁾ was issued for the year 2021.

The President of URE was also involved in cases processed by ACER under Regulation 2019/943, among others on issues such as the scope of activities of the Regional Coordination Centres, or the methodology and assumptions that are to be used in the bidding zone review process and the alternative bidding zone configurations to be considered⁵⁾.

Due to the requirement of Regulation 2019/943, it was also necessary to introduce changes to the capacity mechanism operating in Poland. In particular, this concerns the exclusion from this mechanism of units not meeting the standards indicated in Article 22(4) of the aforementioned Regulation. The necessary changes to the capacity mechanism in the area of compliance with the emission limits for units participating in the capacity auctions, effective as of 1 July 2025, were introduced by amending the Capacity Market Rules by way of an administrative decision of the President of URE of 4 September 2020. Under this decision, from 1 July 2025, all units that do not meet emission limits cannot be beneficiaries of the capacity market. Despite the loss of revenues from the capacity market, units that do not meet the emission requirements will not disappear from the energy system overnight. Formally, they will be allowed to operate receiving only a payment from the energy market.

Other activities in the capacity market area related to the implementation of CEP

Methodologies for calculating the value of lost load, the cost of new entry for generation or controlled load and reliability standards and for the European Resource Adequacy Assessment

Regulation 2019/943, in Article 23(6), imposed an obligation on ENTSO-E to prepare and submit to ACER for approval a proposal for a methodology to calculate the value of lost load (VOLL), the cost of new entry of a new generation unit or controlled load (CONE) and the reliability standard (RS) and the European Resource Adequacy Assessment (ERAA).

In fulfilling the above obligation, ENSTO-E submitted drafts to ACER in May 2020, which were then examined and revised by all regulators through the work of the ACER Adequacy Task Force. These documents were also subject to public consultation with the EU Member States and were accepted by the ACER Board of Regulators. ACER subsequently approved both methodologies by means of:

- Decision No 23/2020 of the European Union Agency for the Cooperation of Energy Regulators of 2 October 2020 on the methodology for calculating the value of lost load, the cost of new entry, and the reliability standard,
- Decision No 24/2020 of the European Union Agency for the Cooperation of Energy Regulators of 2 October 2020 on the methodology for the European resource adequacy assessment.

As required by Regulation 2019/943, the VOLL will be determined based on surveys conducted on a representative group of customers and averaged for the whole country.

CONE will be determined for selected technologies based on unit (related to 1 MW of installed capacity) investment expenditures, annual fixed costs and unit variable costs.

Article 25 of Regulation 2019/943 states that Member States implementing capacity markets shall determine the necessary level of security of energy supply through a reliability standard (RS). This standard is defined by the Member State or the competent authority designated by it on the basis of a request from the regulatory authority. RS shall be calculated using at least:

- VoLL and
- CONE or controlled demand.

³⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/8636,Decyzja-dotyczaca-odstepstwa-od-obowiazku-udo-stepniania-miedzystrefowych-zdolnos.html>

⁴⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9204,Decyzja-dotyczaca-przyznania-PSE-SA-odstepstwa-od-obowiazku-wdrozenia-minimalneg.html>

⁵⁾ ACER Decision No 29/2020: https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2029-2020%20on%20the%20Methodology%20and%20assumptions%20that%20are%20to%20be%20used%20in%20the%20bidding%20zone%20review%20process%20and%20for%20the%20alternative%20bidding%20zone%20configurations%20to%20be%20considered.pdf;

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%2029-2020_Annexes/ACER%20Decision%2029-2020%20on%20the%20BZR%20-%20Annex%20I%20_%20%20BZR%20methodology.pdf

VOLL and CONE will be used to determine the reliability standard. It will determine the permissible number of hours per year during which the demand for electricity plus the minimum level of generation capacity reserves necessary for secure operation of the power system may exceed its supply, taking into account all available generation capacities and the balance of cross-border exchange.

The ERAA methodology aims to provide a consistent and comparable basis allowing to identify generation resource adequacy problems. This assessment is carried out for parallel scenarios (with and without capacity markets) and covers a horizon of 10 consecutive years. It allows the identification of long-term, structural problems in ensuring electricity demand coverage and will additionally provide information on the need for capacity markets within the EU. The ERAAs are carried out annually by ENTSO-E.

Regulation 2019/943 in Article 24 also provides for the possibility of producing a national resource adequacy assessment based on the above methodology. Work in this area started in 2021.

Work on customer surveys for the VOLL calculation

As indicated above, Poland as a country in which the capacity market has been implemented is obliged to determine the required level of security of electricity supply expressed by the reliability standard, for the calculation of which it is necessary to determine the VOLL.

As defined in Article 2(9) of Regulation 2019/943, VOLL means an estimation in euro/MWh, of the maximum electricity price that customers are willing to pay to avoid an outage.

Taking into account the above definition, ACER indicated in its Decision No 23/2020 the method of surveying selected groups of consumers constituting a representative sample for the whole country, using the WTP (willingness to pay) method as the basic method for collecting the data necessary for calculating the VOLL, while allowing for the possibility of using alternative methods: WTA (willingness to accept) or direct worth.

In March 2020 the President of URE undertook activities related to the preparation for conducting a survey of electricity customers in Poland. The assumptions were prepared and preliminary requests for proposals to conduct a survey of household customers were sent to selected research companies. In April, preliminary requests for proposals were sent to the same companies for conducting the survey of customers in groups other than households.

After ACER approved the final version of the method for calculating VOLL, CONE and RS, a questionnaire for electricity customers in Poland was prepared based on the annex to the above methodology.

In October 2020, meetings were held with organizations of commercial customers, during which the legal regulations concerning VOLL and the methodology for its calculation were presented. The questionnaire was also presented and several companies associated in the above-mentioned organizations were asked to complete it.

In addition, a survey was conducted among URE employees (a group of households), who were asked to complete a questionnaire on the intranet. The conclusions of both surveys indicated that in order to obtain reliable results enabling the correct calculation of VOLL, it is necessary to conduct a survey among electricity customers in Poland by a professional research company. Therefore, in November 2020 a procedure was initiated to select a contractor.

Methodology defining the rules for participation of foreign capacity suppliers in capacity mechanisms

Regulation 2019/943 in Article 26(11) obliged ENTSO-E to prepare and submit to ACER a draft methodology for calculating the maximum entry capacity for cross-border participation in capacity mechanisms. The draft methodology was submitted to ACER for approval on 3 July 2020. The document was reviewed and revised by the ACER Adequacy Task Force. It was also subject to public consultation and with EU Member States, and was accepted by the ACER Board of Regulators. Subsequently, ACER approved the methodology by Decision No 36/2020 of the European Union Agency for the Cooperation of Energy Regulators of 22 December 2020 on technical specifications for cross-border participation in capacity mechanisms.

The document contains the following regulations:

- methodology for calculating the maximum entry capacity for cross-border participation (MEC),
- methodology for sharing the revenues arising through the allocation of entry capacity,
- common rules for carrying out availability checks,

- common rules for determining when a non-availability payment is due,
 - terms of operation of the registry of eligible capacity providers,
 - common rules for identifying foreign capacity eligible to participate in a given capacity mechanism.
- According to Article 26(7) of Regulation 2019/943, MECs will be calculated annually for each border of a given capacity mechanism by the Regional Coordination Centres and communicated in the form of recommendations to the TSOs.

3. Electricity market

3.1. Network regulation and technical functioning

3.1.1. Unbundling

In the light of the current regulations of the Energy Law Act electricity and gas system operators (hereinafter referred to as "system operators") are designated by decision of the President of URE:

- at the request of the owner of the network or installation referred to in Article 9h para. 1 of the Act,
- ex officio in cases specified in Article 9h para. 9 of the Act.

The Energy Law Act specifies the conditions of operation and tasks of system operators. The electricity distribution system operators (DSOs) operating in a vertically integrated undertaking serving more than 100,000 customers connected to their network are obliged to become legally and organizationally unbundled and independent in terms of their decisions (Article 9d of the Energy Law Act). There is one electricity transmission system operator in Poland – PSE S.A.

On 4 June 2014 the President of URE granted PSE S.A. a certificate of complying with independence criteria determined in Article 9d para. 1a of the Energy Law Act for the period until 31 December 2030.

Compliance with independence criteria and conditions of conducting licensed activity and exercising the TSO function is monitored and periodically examined. In 2020 no irregularities in the functioning of the TSO were revealed.

In 2020, as in previous years, there were five large DSOs on the electricity market, whose networks are directly connected to the transmission network. They are legally obliged to separate the distribution activities carried out by the system operator from other activities not related to electricity distribution (unbundling). In addition, at the end of 2020, there were 178 companies designated as DSOs operating within vertically integrated companies that are not subject to unbundling.

Compliance Programmes

Operator independence, which ensures equal access to the network for all market participants, is crucial for the performance of DSO functions. Operators are required to develop programmes which set out the measures taken to ensure non-discriminatory treatment of system users (Compliance Programmes). DSO programmes are approved by the President of URE, while DSOs are not obliged to submit them for approval. Approved Compliance Programmes are subject to control by the President of URE. Operators are required to send, each year by 31 March, reports containing a description of actions taken in the previous year to implement the Compliance Programmes. The year 2020 was a period of intensive work related to updating the Programmes in connection with the changes and challenges that emerged during several years of operation of independent DSOs in vertically integrated groups.

In 2020, four administrative proceedings were completed on the approval of amendments to the Compliance Programmes of TAURON Dystrybucja S.A., ENEA Operator Sp. z o.o., ENERGIA-OPERATOR S.A. and innogy Stoen Operator Sp. z o.o. The purpose of the changes was to adapt the content of the Compliance Programmes of DSOs to the Guidelines published by the President of

URE in 2019⁶⁾. As a result of the introduced changes, the thematic scope of the Compliance Programmes was extended by, for instance, network infrastructure management and development, communication within the group and in relations with the external environment, marketing activities, centralization or outsourcing of services and procurement. The implementation of the new regulations required adaptation and organizational efforts on the part of the operators, so the individual decisions on the approval of amendments to the Compliance Programmes set a deadline for the implementation of the changes, which in most cases was by the end of 2020. Completion of one proceeding for approval of changes to the Compliance Programme by the end of 2020 was not possible, due to persisting differences in the positions of the operator and the President of URE.

DSOs have published Compliance Programmes on their websites. In addition, the regulator recommends making the contents of the Programmes available at customer service offices, so that it can also be accessed by system users without Internet access.

Reports on the implementation of the Compliance Programmes for 2020 were submitted by the statutory deadline of the end of March 2021. The analysis of the content of the reports shows the growing importance of the Programmes themselves and the so-called Compliance Officers, whose task is to monitor the implementation of the Compliance Programmes. The officer should be independent in his or her actions and have access to information held by the operator and its affiliates that is necessary to fulfil his or her tasks. In 2020, compliance officers undertook activities to disseminate Compliance Programmes and to prevent violations of the provisions of these programmes. This stream included educational and training activities addressed to management boards and employees of operators, as well as interpretation of the provisions of the Compliance Programmes, counselling, consultations, handling of reports in cases requiring clarification. It was also common for compliance officers to give their opinion on draft rules, new policies, agreements and other documents before they were adopted by the operator's management. The cooperation of Compliance Officers with other services of the operators on measures to be taken for the protection of sensitive information was also part of the stream of preventive activities. In the same vein, it should also be noted that in September 2020 one of the operators applied to the President of URE for an opinion on changing its logo, in connection with the process of group integration. In accordance with the position of the President of URE, the operator's logo was left unchanged.

In a few cases the Compliance Officer also played an important role by intervening ex-post on reports indicating events and circumstances bearing the hallmarks of a breach of the Compliance Programme. An analysis of the course of events showed that the source of the problems was not a deliberate breach of the Compliance Programme, but technical errors. These errors did not cause damage, but served to modify the rules and terms of reference of individual employees in such a way as to reduce the risk of such incidents in the future.

In 2020, the President of URE received one complaint related to a suspected violation of the Compliance Programme by the DSOs' helpline staff providing information to employees of energy suppliers with whom office space was shared about customers who were customers of other suppliers. The President of URE requested the DSO to provide detailed information and explanations in this case. After a detailed analysis of the terms and conditions of cooperation and provisions of agreements with the service provider, the Compliance Officer proved that the allegations made in the complaint were groundless and the practices presented therein do not occur.

Ultimately, therefore, on the basis of the information provided in the reports, an assessment can be made that in 2020 there were no cases of discrimination against system users, no violations or threats to the implementation of the provisions of the Compliance Programmes were identified, either.

Reports on the implementation of the Compliance Programmes are published on the URE website.

⁶⁾ Information of the President of URE No 15/2019 of 18 February 2019 on Guidelines for the content of Compliance Programmes developed by distribution system operators and storage system operator.

3.1.2. Network extension and optimization

Monitoring investment plans of transmission system operators

The power company PSE S.A. performing business activity in the field of electricity transmission – being the only electricity TSO on the territory of Poland, designated by the President of URE – performs investment tasks in accordance with the development plan, agreed with the President of URE, with respect to meeting the current and future demand for electricity. The draft development plan of this operator – under the provision arising from Article 16 para. 13 of the Energy Law Act – is subject to agreement with the President of URE. When agreeing on the TSO development plan, the regulator verifies first of all the compliance of its content with the Act and its implementing regulations and with the assumptions of the state's energy policy, cooperating with the locally competent voivodship boards, and additionally agrees on investment outlays in such an amount that the costs resulting from them may constitute the basis for tariff calculation, in compliance with the requirement referred to in Article 16 para. 10 of the Energy Law Act (according to this requirement the plan should ensure long-term maximization of the efficiency of outlays and costs incurred by energy companies so that outlays and costs do not cause an excessive increase in electricity prices and fee rates in particular years, while ensuring continuity, reliability and quality of supplies).

In 2020 the President of URE agreed on the *Draft development plan with respect to meeting current and future electricity demand for the years 2021-2030* submitted by the TSO. The plan assumed that the TSO would incur investment outlays of over PLN 14.2 billion in the aforementioned period 2021-2030.

As part of the implemented tasks regarding the monitoring of investment plans, analyses of the performance of the volumes planned for a given year are conducted annually, the results of which are used in the process of agreeing subsequent editions of development plans or their updates. As it follows from the report on the development plan implementation for 2020 (which enterprises are obliged to submit, pursuant to Article 16 para. 18 of the Energy Law Act), the TSO notified about the execution of planned investment outlays of PLN 1,109.6 million (that is 63%, with the plan assumed for that year of PLN 1,759.5 million, data in current prices from the year of network investments implementation, that is 2020).

Assessment of consistency of TSO's investment plan with the EU-wide network development plan

When agreeing on the development plan, the President of URE shall also verify its consistency with the ten-year EU-wide network development plan ("TYNDP"), developed by ENTSO-E in accordance with the legislative principles initiated by the European Parliament and the Council of Europe (these principles determine, among others, conditions of access of parties to the transmission networks). The consistency of both plans shall be checked at each update of any of the above mentioned documents.

The investment projects implemented in 2020 to develop interconnections and increase technical transmission capacities in interconnection, included in the TYNDP 2018, which the TSO incorporated into the previous edition of the development plan for 2018-2027 (including 2020) agreed with the President of URE, are specified below:

- Construction of 400 kV Ostrołęka-Stanisławów line and development of 400 kV Stanisławów substation and 400/220/110 kV Ostrołęka substation with the introduction to 400(220)/110 kV Wyszków substation (TYNDP 123.373),
- Construction of 400 kV Mikułowa-Świebodzice line and development of 400/220/110 kV Świebodzice substation and 400/220/110 kV Mikułowa substation (TYNDP 230.355),
- Construction of 400 kV Baczyna-Krajnik line (TYNDP 230.353),
- Construction of 400/110 kV Baczyna substation with the introduction of 400 kV Krajnik-Plewiska line (TYNDP 230.1035),
- Construction of 400 kV Baczyna-Plewiska line (TYNDP 230.1232),
- Construction of 400 kV Dunowo-Żydowo Kierzkowo-Piła Krzewina line (TYNDP 170.1661, 170.1662),
- Modernization of 400 kV Krajnik-Morzyczyn line (TYNDP 170.1663),
- Modernization of 400 kV Morzyczyn-Dunowo line (TYNDP 170.1664),
- Modernization of 400 kV Dunowo-Słupsk line (TYNDP 170.1664),
- Modernization of 400 kV Słupsk-Żarnowiec line (TYNDP 170.1664),

- Modernization of 400 kV Żarnowiec-Gdańsk I/Gdańsk Przyjaźń line (TYNDP 170.1665),
- Modernization of 400 kV Gdańsk Błonia-Gdańsk I/Gdańsk Przyjaźń line (TYNDP 170.1665).

In addition, the TSO has been carrying out the construction of the HVDC cable connection Poland-Lithuania (TYNDP 170.1034, this task exceeds the scope of investments submitted by the TSO for implementation under the development plan for 2018-2027).

The analysis of the 2020 report on the implementation of the 2018-2027 development plan reveals that PSE S.A. carried out the following projects as part of the investments to build and expand the cross-border interconnections: Modernization and development of 400/220 kV Krajnik substation.

On the basis of the assessment of the consistency of the previous versions of the TSO's investment plans with respect to compliance with the EU-wide network development plan, it can be concluded that there may be slight planning inconsistencies, resulting from, among others, the following: various deadlines for updating the documents covered by the TYNDP and the TSO development plan (subsequent updates will usually indicate the most recent data on the current status of the project or its completion date), a distant date of investment start-up (in the national plan, projects with a distant project start-up date are usually included in the group "investment preparation", where general information, usually only descriptive, is provided), which cannot be eliminated in advance. The identified inconsistencies are explained with the TSO on a current basis.

Smart electricity grids

Considering that issues related to the development and implementation of strategies for smart grids implementation were not included in the scope of statutory tasks of the President of URE, this body only took part in giving opinions on draft solutions for these networks. The preparation and implementation of the legislative process itself is the responsibility of the minister responsible for energy issues, while the President of URE actively participates in consultations, presenting its position on the issue. The minister responsible for energy remains obliged to develop and implement strategies aimed at the implementation of smart grids, including conducting appropriate legal analyses and regulatory impact assessment, and consequently the impact of the implementation of the strategy on the level of electricity prices and tariffs for both industry and households.

On 2 February 2021 the Council of Ministers approved the Energy Policy of Poland until 2040 as a new strategic document setting the directions of development for the sector. EPP2040 also replaced the Strategy for Energy Security and Environment – a perspective until 2020. This document – in the area of the strategic project entitled "Implementation of smart grids" – provides for the implementation of such grids, for the integration of the behaviour and actions of all entities and users connected to them. The development of the transmission infrastructure will allow to derive capacity from existing and new sources (including wind and nuclear power) and to improve supply reliability, as well as to increase cross-border exchange opportunities, while preserving the principle of self-sufficiency of generation capacity in Poland. Investments in distribution systems (network restoration, cabling of medium-voltage networks) will improve the quality of supply to final customers, which means in particular reducing the length of energy supply interruptions. Furthermore, the investments will contribute to a gradual transformation of the passive (one-way) network into an active (two-way) network. To improve the efficiency of operation in emergency situations, a digital communication system between distribution system operators will be implemented and the infrastructure will be equipped with control devices.

As mentioned above, pursuant to the provisions of Article 16 of the Energy Law Act, electricity DSOs – similarly to the TSO – which distribute electricity to 100 or more customers to whom the company supplies a total of at least 50 GWh per year, are obliged to draw up and agree with the President of URE a development plan which includes, among others

- undertakings for the modernization, expansion or construction of the network and planned new energy sources, including the RES installation, and
- undertakings in the scope of acquisition, transmission and processing of measurement data from the remote reading meter.

The activities undertaken by DSOs regarding the implementation, operation and evaluation of the effects of pilot projects for the installation of remote reading meters (reported under the development plans)

have been completed and their effects are used in the work on the package of acts regarding the mass deployment of smart meters in Poland. Under the leadership of the Ministry of Climate, work on the draft Act amending the Energy Law Act and certain other acts began, which introduces systemic solutions for the smart metering system, consisting in the obligation to install remote reading meters in accordance with the schedule set out in this draft amendment to the Act and the establishment of the Energy Market Information Operator, whose role will be to create and develop a central energy market information system. The timetable for installation of remote reading meters – the so-called smart meters – by electricity DSOs assumes that at least 15% of customers of a given DSO should have them by the end of 2023, two years later – 35%, by the end of 2027 this indicator is to amount to at least 65%, and by the end of 2028 – at least 80% of final customers, including at least 80% of households. The act was signed by the President on 1 June 2021 and promulgated on 18 June 2021.

The pilot projects for the installation of remote reading meters (balancing meters in transformer stations and meters at final customers) referred to above and the conclusions drawn from these projects as to the pace of implementation of this type of measurement confirmed the thesis that it is justified to shift the installation of remote reading meters at final customers, to install balancing meters and to upgrade the network to the level of smart grids for the period after 2021, that is after the implementation of the first (current) stage of quality regulation, covering the years 2016-2020.

On the other hand, the modernization processes carried out by the DSO, in accordance with the development plans agreed with the President of URE, led to noticeable effects in the decrease of SAIDI and SAIIFI indices in 2016-2019 for distribution companies. A significant contribution to this goal was made by the quality regulation implemented in 2015, which assumed a significant decrease in these indices over a period of several years.

Due to the DSOs' implementation of only pilot projects, the regulator did not create tools exclusively dedicated to the evaluation of these investments (the total amount of outlays made in relation to the plan was evaluated, within a given group of energy assets). However, such projects were monitored annually through individual DSO reports or on the occasion of the execution of an investment plan.

In the light of the above, in their reports on the implementation of the development plan for 2020, the five largest electricity distributors notified of:

- development of the scope of investments to be implemented in 2020 in terms of achieving the planned levels of quality indicators, assuming the strategic goal consisting in lowering the values of SAIDI and SAIIFI indices, the duration of interruptions (ID) index, the interruption frequency index (IF) and shortening the time of connecting customers (plans in most distribution companies were adjusted by changing the priorities of activities due to the COVID-19 epidemic state introduced in the country and the resulting delays in implementing investments),
- the predominant share (in total expenditure) of investments related to the connection of new customers and electricity generators and the modernization and development of electricity grids, related to improving the quality of services and/or increasing demand for capacity,
- lower than planned execution of expenditures on network development, resulting primarily from the COVID-19 pandemic prevailing in the country (funds were directed to areas where there were possibilities of carrying out investments in a safe manner, which affected the differences in the development of network infrastructure in some areas),
- continuation and at the same time intensification of activities related to the deployment in the network of devices performing switching functions and devices monitoring the state of electrical parameters of the network, in order to achieve the smart grid standard. In order to fully exploit the network automation functionalities and achieve optimum benefits resulting from the automation, actions related to the change of the current network topology were carried out in parallel, with the aim of adapting the network in the long run to the possibility of bilateral supply of MV/LV transformer substations.

In practice, the greatest impact on the improvement and maintenance of a high level of operational reliability of the network was exerted by the investment activities aimed at the implementation of innovations and construction of smart grid networks in the following areas

- automation of the MV network, involving the retrofitting of MV/LV transformer substations with remote controlled switchgears deep inside the network, which enables faster network reconfiguration and significantly reduces failure recovery time,
- equipping 15/0.4 kV substations with short-circuit detectors with communication to SCADA (dispatcher system) – detection and localization of short circuits.

As part of network development works, the DSOs also carried out tasks aimed at the detection of short circuits in MV networks, using the available solutions offered and research and development works, such as

an innovative approach to the detection of short circuits deep in the network based on synchrophasors. In addition, in 2020 design work was initiated to use modern solutions for the installation of SMART devices in LV networks allowing full detection, measurement and control of LV network elements in accordance with the assumptions of switching automation and Self-Healing Grid automation. Thanks to this functionality, the dispatching system and automation devices will ultimately be able to automatically switch off a faulty element and maintain the power supply to customers using efficient elements (switching operations performed automatically in less than 1 minute).

3.1.3. Network tariffs

In 2020 the President of URE conducted proceedings regarding approval of electricity tariff for:

- 1) TSO – for entities using the transmission service under a transmission contract,
- 2) DSOs, which on 1 July 2007 unbundled their operations – for customers connected to distribution networks at all voltage levels, i.e. for industrial, medium and small business customers and households,
- 3) electricity suppliers – in relation to the customers of G tariff groups, connected to the network of a given distribution system operator, for which the suppliers provides a comprehensive service,
- 4) other energy companies, the so-called industrial energy companies, in the field of trade in electricity (group G) and in the field of distribution of electricity to customers connected to their networks.

The tariff of the TSO was approved on 17 December 2020 for the period until 31 December 2021. The tariffs of electricity trading companies – with respect to customers of G tariff groups, connected to the network of a given DSO, for whom the trading company provides comprehensive service, for the year 2021, were also approved in December 2020.

In turn, the administrative proceedings on the approval of tariffs for the five largest DSOs for the period until 31 December 2021 were completed with the issuance of decisions: for innogy Stoen Operator Sp. z o.o. – 5 January 2021, for TAURON Dystrybucja S.A. and ENEA Operator Sp. z o.o. – 8 January 2021, and for ENERGA-OPERATOR S.A. and PGE Dystrybucja S.A. – 14 January 2021.

3.1.4. Security and reliability regulation

Rules of network security and reliability

Pursuant to the Energy Law Act, energy enterprises engaged in the transmission and distribution of electricity to customers are obliged to:

- maintain the capacity of equipment, installations and networks to supply fuel or energy in a continuous and reliable manner, while meeting applicable quality requirements, and
- provide all entities, on the basis of equal treatment, transmission services consisting in the transmission of fuel or energy from a supplier of gaseous fuels, electricity or heat selected by these entities, under the terms and to the extent specified in the Act.

The provision of transmission services shall not compromise the reliability of electricity supply and the quality of such electricity below the level specified in separate regulations and shall not result in an adverse change in prices and the scope of supply of fuel or energy to other entities connected to the network. The above issues regulating the standards of energy supply to customers arise from supplementary provisions to the Act, contained in the Ordinance of the Minister of Economy of 4 May 2007 on detailed conditions for the operation of the power system (hereinafter referred to as the "Electricity System Ordinance"), which in turn have been reflected in the transmission or distribution network codes of individual network operators. Pursuant to Article 9g of the Act, the transmission system operator and the distribution system operator are obliged to develop a transmission network code (TNC) or a distribution network code (DNC), respectively. Subsequently, the aforementioned codes are approved by the President of URE, and the methods, conditions, requirements and rules contained in the codes are binding for the network operators and the users connected to the network of these operators and constitute a part of the contract for the provision of electricity transmission or distribution services.

The reliability of network operation (understood as the ability of the transmission or distribution network to deliver or receive power and electricity under specified conditions, place and time) is a derivative of energy security, which is mainly determined by: the amount of power reserve in the power system and the competences and rights of system operators. System operators, each within their own area of operation, are responsible for power security on the electricity markets:

- on the system market – transmission system operator,
- on local markets – distribution system operators.

Pursuant to Article 9g para. 4 of the Energy Law Act, network codes specify detailed conditions for the use of these networks by system users and the conditions and manner of operation, exploitation and development planning of these networks. They concern, among other things, the requirements regarding the security of operation of the power grid and the conditions that must be met for its maintenance, as well as the indicators characterizing the quality and reliability of electricity supply and the security of operation of the power grid. The quality parameters of electricity are specified in the transmission network code.

The most important changes to the TNC approved in 2020 by the President of URE, relating to network security and reliability, include an update of the provisions on acceptance and verification tests of the capability of generating units to carry out the procedures of the system defence plan and the restoration plan, an update of the provisions on the action plan in the event of loss of connection to the NES or voltage failure in that system, and an update of the provisions on the introduction of interruptions and restrictions on the supply and off-take of electricity.

In turn, the most important changes introduced to the DNCs of the five largest DSOs, and approved in 2020 by the President of URE, include the introduction of stipulations on priority in the provision of electricity distribution services for electricity generated in RES installations and in high-efficiency co-generation in accordance with Article 9c para. 6 of the Energy Law and Article 12(2) of Regulation 2019/943.

Congestion management

Approval of rules for access to the cross-border infrastructure, including the rules for the allocation of capacity and congestion management

In 2020, capacity allocation methodologies approved by the President of URE in 2015 – allocation of transmission capacity through a mechanism of day-ahead market coupling – were still applied on the Poland-Sweden 4 (SwePol Link) and Poland-Lithuania (LitPol Link) interconnections. Due to the fact that the decisions of the President of URE of 17 May 2017 issued in relation to the mentioned borders of the bidding zones Poland – Sweden 4 and Poland – Lithuania remained in force in 2020, no long-term transmission rights were issued.

In 2020 PSE S.A. was allocating transmission capacity on synchronous connections as part of a coordinated process in which, apart from PSE S.A., 29 TSOs from 24 countries in Europe participated. The allocation of transmission capacity on the synchronous profile was carried out through coordinated explicit auctions organized by the Joint Allocation Office S.A. (JAO), which is owned by the transmission system operators, including PSE S.A. Under such coordinated auctions, in 2020 PSE S.A. made capacity available on the technical profile covering interconnections with the regulatory areas of the transmission system operators of Germany – 50Hertz Transmission GmbH, the Czech Republic – ČEPS a.s. and Slovakia – SEPS a.s. The cross-border exchange capacities on the synchronous section were made available through explicit auctions, organized both for export and import in short-term time horizons – day-ahead and intra-day.

Since 19 November 2019, the Polish market area has been part of the Single Intra-Day Coupling (SIDC) mechanism implemented using the XBID platform in implicit trading mode. The SIDC mechanism initially covered Polish borders: CZ-PL, DE-PL, LT-PL and PL-SE4 (PL-SE4 with the first trading day of 22.01.2020). On 4 February 2020, an interim solution was launched for the intraday market at the Polish-Slovak border based on the explicit auction mechanism used until 19 November 2019 for the entire synchronous profile. The process, implemented through the DAMAS system, was administered by the Czech TSO – ČEPS a.s., acting as the Allocation Office. This solution is foreseen to be used until the Polish-Slovak border is covered by the SIDC mechanism.

The decisions of the President of URE issued in agreement with the other regulators of the Capacity Calculation Region (CCR) Hansa and the Baltic Region in 2019 concerning the approval of the methodologies for capacity calculation in day-ahead and intra-day timeframes remained in force in 2020 and are

expected to be implemented according to the schedule specified in the decisions of the President of URE.

In 2019 ACER issued a decision specifying the methodologies for capacity calculation in day-ahead and intra-day timeframes for the CCR Core, which is still valid.

In 2020, transmission capacities were nominated and offered separately for: the synchronous profile (including interconnections with Germany, the Czech Republic and Slovakia), the DC connection with Sweden, the DC connection with Lithuania and the connection with Ukraine (radial connection Zamość-Dobrotwór). For each of these interconnections, the nomination method based on net transfer capacity (NTC) was used, taking into account the balancing conditions.

Implementing the provisions of CACM GL, Conditions for the allocation of cross-zonal transmission capacity and other necessary mechanisms to enable the operation of more than one NEMO in Poland (MNA) were adopted in 2019. The MNA regulates the cooperation between nominated electricity market operators (NEMOs) and PSE S.A. in connection with the implementation of the SIDC and SDAC processes. In the Polish bidding zone, the MNA for the implementation of the SIDC process was launched on 25 August 2020. Since November 2019, the SIDC process was implemented in the Polish bidding zone by TGE S.A. The Nord Pool of EMCO AS was also operationally launched in August 2020, while the EPEX SPOT SE is also planned to be operationally launched in 2021.

In 2020, preparations were underway to launch the second component of the MNA, that is the implementation of the SDAC process in a multi-NEMO format. The MNA in the SDAC zone was launched on 9 February 2021. Previously, the SDAC process in the Polish bidding zone was only implemented by TGE S.A. With the implementation of the multiple NEMO formula in Poland, EPEX SPOT SE and Nord Pool EMCO AS have also started operations in this area.

Revenues from transmission capacity allocation on interconnections with the EU states and the manner of their utilization in 2020

The final amount of revenues from the allocation of transmission capacity for the intersystem exchange on connections with the EU Member States countries in the period from 1 January to 31 December 2020 amounted to PLN 390,637,700. This sum is reduced by the amounts returned by the TSO to the participants of the system exchange due to the fact that these participants returned part of the annual and monthly transmission rights they had acquired to be allocated during the daily auctions and due to the fact that these participants did not exercise their transmission rights in the daily auctions.

Table 1. Revenues from making transmission capacity available for the period from 1 January 2020 to 31 December 2020, broken down by border

Specification	Value [PLN thousand]
Poland – Czech Republic	69,952.7
Poland – Germany	118,327.8
Poland – Slovakia	11,725.2
Poland – Lithuania	44,331.9
Poland – Sweden	140,480.1
Transit Sweden – Poland – Lithuania	7,850.2
Total	392,667.8
Capacity return	-2,030.1
Total	390,637.7

Source: Data of PSE S.A., according to the accounting as at 23 February 2021.

The total amount of revenues from making interconnection transmission capacities available obtained in the period from 1 January 2020 to 31 December 2020, after deduction of due income tax, that is the amount of PLN 316,416.5 thousand, will be credited to the Special Purpose Fund. The above fund functions under the Regulations adopted by Resolution No 20/2006 of the Ordinary General Meeting of the Company of 28 July 2006. The Special Purpose Fund is recorded on a separate accounting

account and may be used only for one or more of the following purposes: financing the guarantee of actual availability of allocated transmission capacity and financing network investments made in order to maintain or increase interconnection capacity. These objectives shall include the priority objectives set out in Article 19(2) of Regulation 2019/943.

The investment projects related to maintenance and increase of transmission capacity on interconnectors of the NES with transmission systems of the EU member states have been specified in the Development Plan agreed by the President of URE.

In the period from 1 January to 31 December 2020 the TSO spent the amount of PLN 235,642,500 from the Special Purpose Fund.

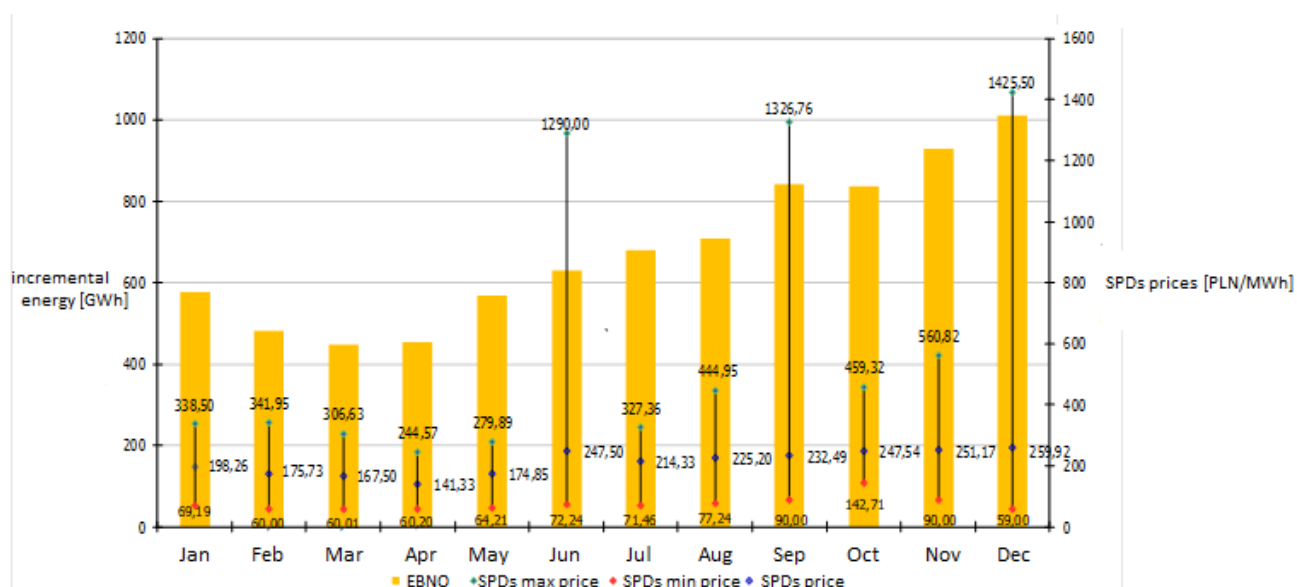
Balancing services

The rules for the operation of the electricity system balancing mechanism (the so-called balancing market – BM) have been defined by the electricity TSO in the TNC and, as of April 2020, in the balancing conditions (BC), developed on the basis of Article 18 of Regulation 2017/2195. The above document has largely replaced the regulations previously contained in the TNC – System balancing and system congestion management. Both the TNC and the BC are subject to approval by the President of URE.

At the end of 2020, 127 entities participated in the balancing market processes, including 23 generators, 10 final customers, 11 network customers, 75 trading enterprises, 2 energy exchanges, 5 DSOs and PSE S.A. as TSO. Technical and commercial data were submitted by 48 market operators and concerned 347 schedule units.

The figure below presents information on the volume of unscheduled balancing energy (UBE) received from the balancing market (purchase from the BM) and the settlement prices of imbalance in this market in individual months of 2020.

Figure 1. Energy received (UBE) and selling prices of energy from the balancing market (SPDs) in 2020



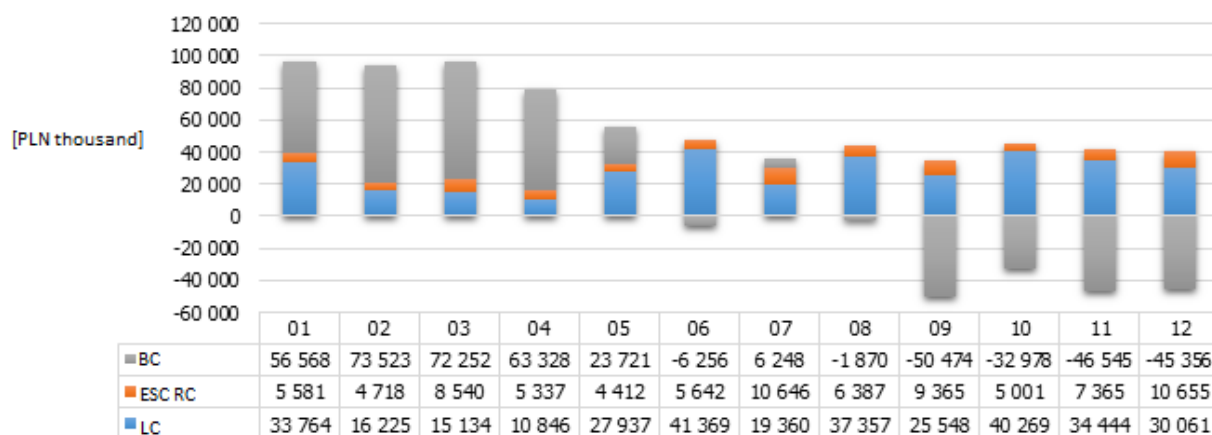
Source: URE, on the basis of data acquired from PSE S.A.

In 2020, the maximum settlement price of deviation (SPD) in the balancing market varied between 244.57 PLN/MWh and 1,425.50 PLN/MWh and the minimum settlement price from 59 PLN/MWh to 142.71 PLN/MWh, whereas weighted average monthly prices of SPD oscillated between 141.33 PLN/MWh and 259.92 PLN/MWh.

The SPD fluctuations on the balancing market described above depended on various conditions, with the key and repetitive ones including atmospheric conditions, demand for capacity in the NES, capacity reserves in this system and market conditions.

The costs of removing limitations determined in accordance with the definition in the transmission network code and then the balancing conditions amounted to PLN 332.315 million in 2020. The costs of removing limitations (LC) along with the balancing costs (BC) and costs arising from reallocation of Energy Sales Contracts (ESC RC) in particular months of 2020 are presented in the figure below.

Figure 2. Costs of balancing customers' demand, costs of removing limitations and costs arising from ESC reallocation in 2020



Source: URE on the basis of data of PSE S.A.

In particular months of 2020, the costs of balancing customers' demand (BC) varied from PLN 50,474 thousand to PLN 73,523 thousand, while as of mid-year (except for July) the costs borne by the TSO were negative. In turn, the costs of removing limitations (LC) and costs arising from ESC reallocation varied from PLN 10,846 thousand to PLN 41,369 thousand and PLN 4,412 thousand to PLN 10,655 thousand, respectively

The operating power reserve (OPR) was acquired by the TSO under the rules described in the TNC approved by the President of URE⁷⁾. The OPR was settled on an hourly basis, and complementarily on a monthly and annual basis. Within these settlements, the average OPR price did not exceed the value of the reference hourly price valid in a given year. The number of settlement hours of OPR in 2020 amounted to 3,825 of which for 323 hours the OPR settlement price was equal to the reference price (44.24 PLN/MWh). Weighted average hourly settlement price of OPR in 2020 amounted to 26.59 PLN/MWh, while average hourly volume of this reserve stood at 6,186.861 MW in an hour.

2020 was the last year of OPR operation, as a consequence of the start of the capacity market mechanism from January 2021.

In relation to the role of the DSOs in the system balancing, it should be underlined that their tasks include mainly management of metering data. To this extent, DSOs co-manage with the Balancing Market. These rules are specified in the DNCs and have impact mainly on the TPA rule implementation. In addition, DSOs are obliged to undertake measures ordered by the TSO, and these rules have been described by the TSO in the TNC.

In 2020, system balancing was affected by amendments to the TNC and DNCs. The most important amendments to the TNC approved in 2020 by the President of URE include the introduction of:

- a transitional solution for the Intraday Market based on the explicit auction mechanism, which has been started for the Poland-Slovakia border and the introduction of modifications to the schedules for the submission and correction of the Single Day-Ahead Coupling (SDAC) and Energy Price Exchange (EPE) submissions in the Single Day-Ahead Coupling process,
- the possibility of extending the Balancing Market area to places on the medium-voltage or low-voltage grid where electricity is withdrawn by the TSO or DSOs for their own needs at LV/HV and LV/MV substations in connection with their economic activity of electricity transmission or distribution, respectively,

⁷⁾ <http://bip.ure.gov.pl/download/3/5005/20141106ZmianaInstrukcjiRuchuiEksploatacjiSieciPrzesylowejPolskichSieciElektroen.pdf>,
<http://bip.ure.gov.pl/download/3/4011/20131210ZmianaInstrukcjiRuchuiEksploatacjiSieciPrzesylowejPolskichSieciElektroen.pdf>

- changes concerning the process of exchange and management of structural, planning and real-time data referred to in SOGL, in particular TSO, DSO and significant grid users (SGU),
- update of the provisions of TNC by relating the technical requirements for regulation, under the operation of a frequency/speed controller, to the carrier of the energy source instead of the current reference to fuel as an energy source, update of the provisions regarding the acceptance tests and verification of the capacity of generating units to carry out the procedures of the system defence plan and the restoration plan, update of the provisions regarding the action plan in case of loss of connection to the NES or voltage drop in this system, and update of the provisions regarding the introduction of interruptions and restrictions in the supply and off-take of electricity.

The most important changes made to the DNCs of all five DSOs approved by the URE President in 2020 include:

- adjustment of the DNCs to the "Conditions for balancing, based on: Regulation 2017/2195" approved by the President of URE by decision of 5 March 2020,
- introduction of stipulations on priority in the provision of electricity distribution services for electricity generated in RES installations and in high-efficiency cogeneration in accordance with Article 9c para. 6 of the Energy Law and Article 12(2) of Regulation 2019/943,
- making changes to the provisions relating to renewable energy prosumers resulting from the amendment of the RES Act,
- making changes to the granting of discounts resulting from the Electricity Tariff Ordinance,
- updating of standard consumption profiles used in commercial balancing of electricity supply locations for customers with a contractual capacity of not more than 40 kW.

3.1.5. Monitoring the balance of supply and demand

Monitoring investment plans of energy companies in new generation capacity

In 2020, the President of URE, performing the tasks arising from the Energy Law Act with respect to monitoring the security of electricity supply, carried out an examination of investment plans of electricity generators for the years 2020-2034, fulfilling the obligation to prepare 15-year forecasts, pursuant to Article 16 para. 20 and 21 of the Energy Law Act. According to these provisions, an energy company generating electricity from sources with a total installed capacity of not less than 50 MW prepares and submits to the President of URE forecasts for a period of 15 years, covering in particular: the amount of electricity generated, undertakings for modernization, expansion of existing sources or construction of new ones, as well as technical and economic data concerning the type and size of these sources, their location and the type of fuel used to generate electricity

To perform the survey, questionnaires developed by the URE were used, which were completed and sent by 69 energy enterprises and 11 groups.

By the end of 2020, the analysis and summary of the collected data had not been completed, in particular the conclusions of the survey had not been formulated.

Activities related to the capacity market

2020 is another year when the Capacity Market Act has been effective – the Act entered into force on 18 January 2018 and introduced a new state aid mechanism to guarantee security of electricity supply⁸⁾. The introduction of the capacity market means a change in the architecture of the energy market from the energy-only to a capacity market, where not only the electricity generated but also the net available capacity, that is readiness to supply energy to the grid, will be subject to buy-sell transactions.

The Capacity Market Act imposed a number of obligations on the President of URE. The most important ones, carried out during the reporting year, include: approval and announcement of the final

⁸⁾ The said state aid system was validated by a decision of the European Commission of 7 February 2018: State aid No SA.46100 (2017/N) – Poland – Planned Polish capacity mechanism (C(2018) 601 final), published on 18 April 2018, http://ec.europa.eu/competition/state_aid/cases/272253/272253_1977790_162_2.pdf.

results of the capacity auctions for 2021⁹⁾, publication of the list of industrial customers pursuant to Article 71 para. 3 and 4 of the Capacity Market Act¹⁰⁾ as well as setting the selected times of the day¹¹⁾ and calculation of the capacity fee rates for 2021.¹²⁾

Fulfilling the disposition of Article 34 para. 1 of the Capacity Market Act, the President of URE also issued an opinion on the parameters for the main auction for the supply year 2025 and parameters for additional auctions for the supply year 2022 submitted by the minister in charge of energy.

In addition, the President of URE provided answers to a number of questions of the capacity market participants, which arose in connection with the Act in force, in particular with regard to the obligations to submit to general certification, certification for auction or the data for calculation and publication of the capacity fee rates and the determination of selected hours of the day falling on the peak demand for capacity in the system for the supply year 2021.

Pursuant to the requirements of the Capacity Market Act, the President of URE received information from the operator which, pursuant to Article 2 para. 1 item 27 of the Capacity Market Act, is PSE S.A., regarding:

- the course of general certification in 2020, certification for the auction for supply year 2025, the course for additional auctions for supply year 2021 and the course of the main auction for supply year 2025,
- parameters for the main auction for supply year 2025 and for additional auctions for supply year 2022.

General certification in 2020

According to the provisions of the Act, owners of physical units with a capacity of at least 2 MW are required to undergo general certification every year. In 2020, 1,210 applications were submitted under it, that is almost 11% more than in 2019. 1,188 units were registered in the capacity market register, that is approximately 9% more than in 2019. The net generating capacity of the physical units entered in the register amounts to 54.9 GW (an increase of approximately 1% compared to the previous year).

As a result of the certification verification work, 54 existing physical generating units were identified that did not submit to the general certification obligation in 2020. The URE conducted explanatory proceedings in this case.

Additional auctions for Q1, Q2, Q3, Q4 of supply year 2021

On 18 March 2020, supplementary auctions were held for Q1, Q2, Q3, Q4 of supply year 2021. Participation in the supplementary auctions was conditional on prior general certification, and then certification for additional auctions.

Table 2. Data on additional auctions for Q1, Q2, Q3, Q4 of supply year 2021

Quarter of supply year 2021	Number of bids that won the main auction	Total volume of capacity obligations arising from concluded capacity contracts for a given supply year [MW]
I	25	880.931
II	7	303.260
III	5	156.010
IV	17	616.760

Source: URE.

Additional auctions for each of the four quarters of supply year 2021 ended in round 1 with the closing price of 286.01 PLN/kW/year.

⁹⁾ <https://www.ure.gov.pl/pl/urząd/informacje-ogolne/komunikaty-prezesa-ure/8808,Informacja-nr-272020.html>

¹⁰⁾ <https://www.ure.gov.pl/pl/urząd/informacje-ogolne/komunikaty-prezesa-ure/9220,Informacja-nr-752020.html>

¹¹⁾ <https://www.ure.gov.pl/pl/urząd/informacje-ogolne/komunikaty-prezesa-ure/9133,Informacja-nr-582020.html>

¹²⁾ <https://www.ure.gov.pl/pl/urząd/informacje-ogolne/komunikaty-prezesa-ure/9162,Informacja-nr-632020.html>

Main auction for supply year 2025

On 14 December 2020, the main auction for supply year 2025 was held. Participation in the main auction was conditional on prior general certification and subsequent certification for the auction.

Table 3. Data on the main auction for supply year 2025

supply year	Number of bids that won the main auction	Total volume of capacity obligations arising from concluded capacity contracts for a given supply year [MW]
2025	55	2,367.304

Source: URE.

The number of bids that won the main auction for supply year 2025 was 55. The main auction for supply year 2025 ended in round 7 with the closing price of 172.85 PLN/kW/year. The total volume of capacity obligations under the capacity contracts for supply year 2025 concluded as a result of the auction was 2,367.304 MW, of which 275.717 MW corresponded to the capacity contracts concluded for the period from 1 January 2025 to 30 June 2025. On the other hand, the total volume of capacity obligations for supply year 2025 arising from the concluded capacity contracts for more than 3 years of supply in the main auction for 2022 amounted to 125,000 MW. The total volume of capacity obligations for supply year 2025 arising from the concluded capacity contracts for more than 2 years of supply in the main auction for 2023 amounted to 852.603 MW. Additionally, the total volume of capacity obligations for supply year 2025 arising from the concluded capacity contracts for more than 1 year of supply in the main auction for 2024 amounted to 5,669.035 MW.

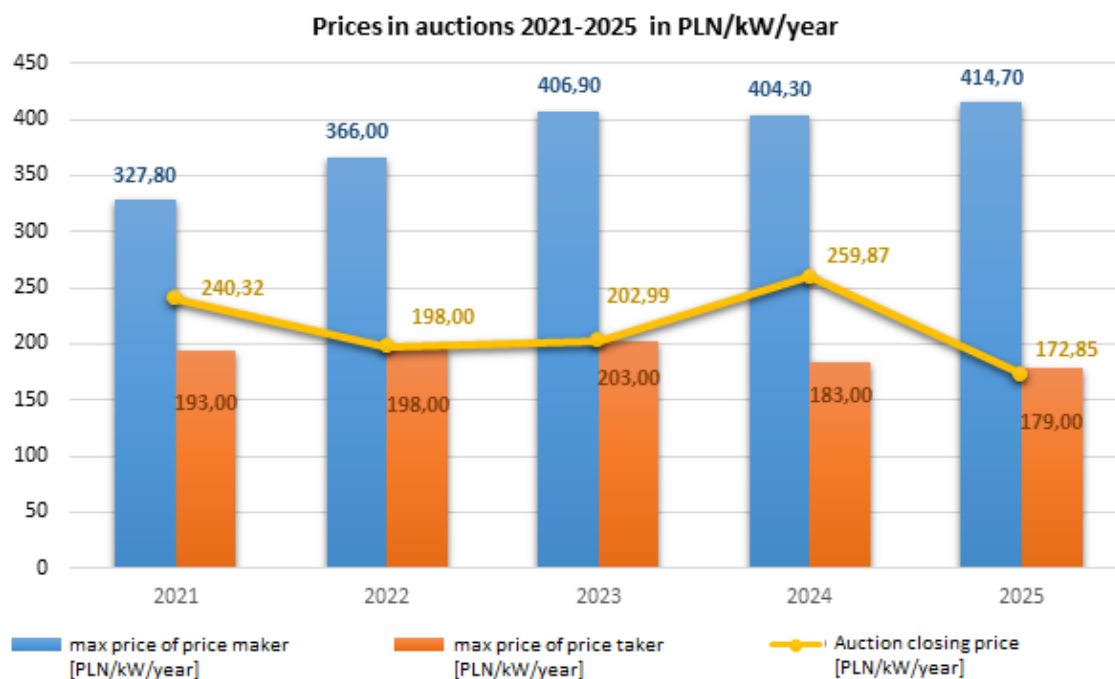
Consequently, capacity contracts for 21,472.761 MW were concluded for supply year 2025. The total volume of capacity obligations arising from the conclusion of capacity contracts for more than one year of supply in the main auction organized for supply year 2025 amounts to 166.456 MW.

It should also be noted that in 2020 the first preliminary auction took place for the main auction for supply year 2025 for the zone referred to in Article 6 para. 6 item 2 of the Act covering the transmission system of the Republic of Lithuania. This auction took place on 24 August 2020 and ended with the acceptance of one bid, and the total capacity of the bids accepted in the preliminary auction was 80 MW¹³⁾. Ultimately, this bid did not win in the main auction for supply year 2025.

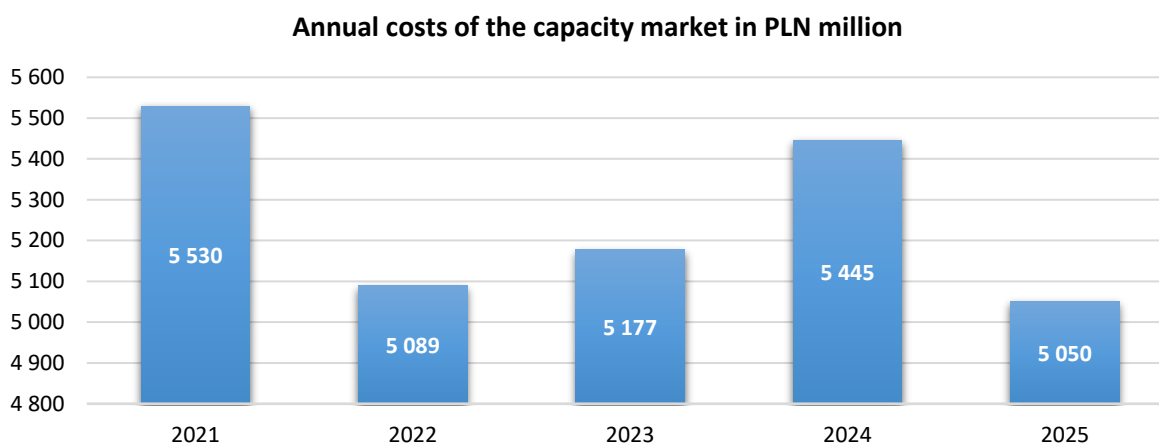
The results of the actions that have taken place so far are illustrated below.

¹³⁾ https://www.pse.pl/documents/20182/98611984/Wyniki_aukcji_wstepnej_do_aukcji_glownej_na_rok_dostaw_2025.pdf

Figure 3. Changes in prices from auction to auction and comparison of annual costs of the capacity market as actually formed as a result of the conducted auctions – for 2021-2025



Source: URE on the basis of information provided by PSE S.A. on the auction course:
https://www.pse.pl/documents/20182/316843399/Wstepne_wyniki_aukcji_2021_do_publicacji_2018_11_20.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2022_do_publicacji_2018_12_07.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2023.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2024.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2025.pdf



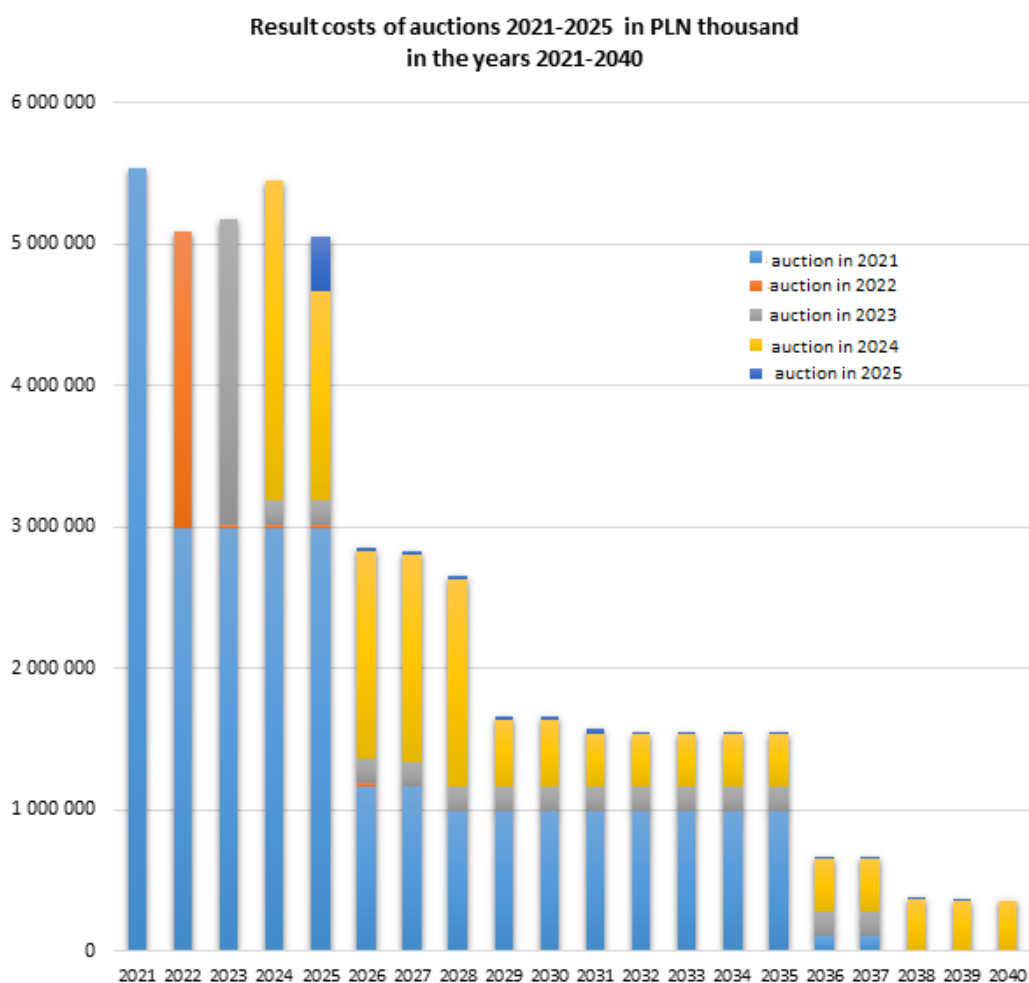
Annual result costs

NB: Annual capacity market costs for 2022 do not take into account the results of the additional auctions held in March 2021.

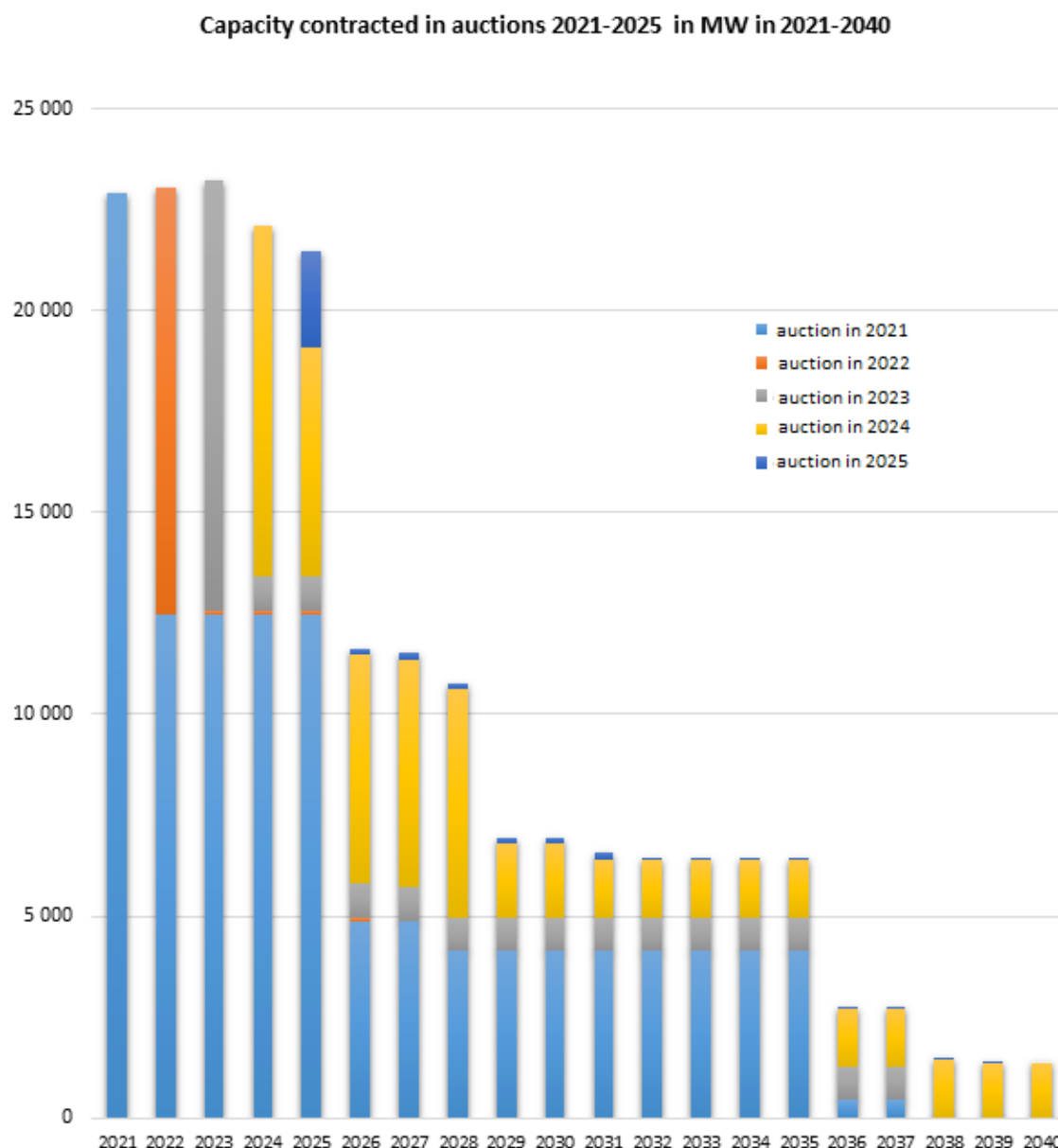
Source: URE on the basis of information provided by PSE S.A. on the auction course:
https://www.pse.pl/documents/20182/316843399/Wstepne_wyniki_aukcji_2021_do_publicacji_2018_11_20.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2022_do_publicacji_2018_12_07.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2023.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2024.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2025.pdf
and the OSR to the Capacity Market Act in its version of 23 June 2017.

It should be noted that the full costs of the capacity market in each year will be known after the additional auctions have been conducted. Pursuant to Article 29 para. 4 of the Capacity Market Act, *additional auctions are carried out in the year preceding the year in which the supply periods of each of these auctions fall, with additional auctions for all supply periods taking place at the same time.* The additional auctions for the 2022 supply period are planned for 2021. On 1 March 2021 PSE S.A. announced the date of conducting additional auctions for individual quarters of the supply year 2022. The auctions were held on 16 March 2021

Figure 4. Annual costs of capacity contracts concluded as a result of capacity auctions for 2021-2025, broken down by auction



Source: URE on the basis of information provided by PSE S.A. on the auction course:
https://www.pse.pl/documents/20182/316843399/Wstepne_wyniki_aukcji_2021_do_publicacji_2018_11_20.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2022_do_publicacji_2018_12_07.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2023.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2024.pdf
https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2025.pdf

Figure 5. Capacity contracted in capacity auctions for supply years 2021-2025, broken down by auction

Source: URE on the basis of information provided by PSE S.A. on the auction course:

https://www.pse.pl/documents/20182/316843399/Wstepne_wyniki_aukcji_2021_do_publicacji_2018_11_20.pdf

https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2022_do_publicacji_2018_12_07.pdf

https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_2023.pdf

https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2024.pdf

https://www.pse.pl/documents/20182/98611984/Wstepne_wyniki_aukcji_glownej_na_rok_dostaw_2025.pdf

It should be noted that the implementation of the capacity market processes in 2020 was timely and without disruption.

3.1.6. Cross-border issues

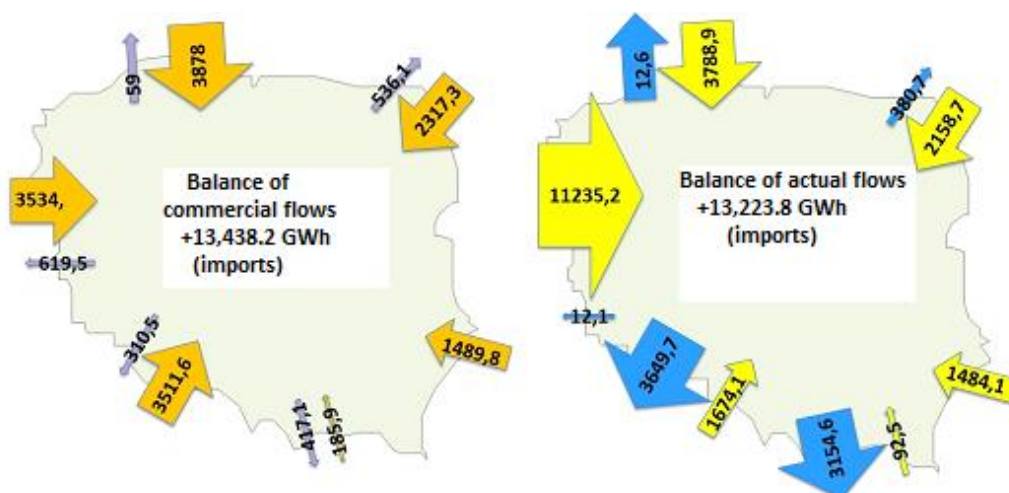
Monitoring technical cooperation between the EU and third country operators

Currently, the national electricity system is connected only with the Ukrainian electricity system – out of third countries which are not members of the EU. The transmission capacities at the Poland-Ukraine interconnection were made available through explicit auctions organized on a monthly basis. The transmission capacities were made available only for import to Poland in the maximum volume of 210 MW. In 2020 there were no emergency disconnections on the Polish side resulting in a reduction of planned supplies. Several failures to comply with the exchange plans were caused by emergency disconnection of the Dobrotwór power plant unit.

Monitoring of coordinated interconnection exchange

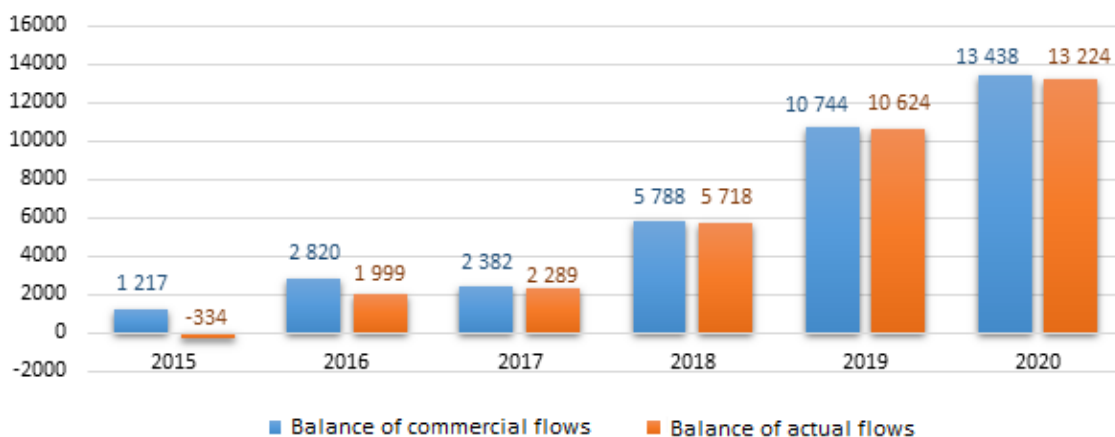
The trade balance of electricity interconnection exchange and actual energy flows from individual countries to Poland and from Poland to other countries in 2020 are shown in the figure below.

Figure 6. Balance of commercial and actual electricity flows on interconnections with other countries in 2020 [GWh]



Source: URE on the basis of data provided by PSE S.A.

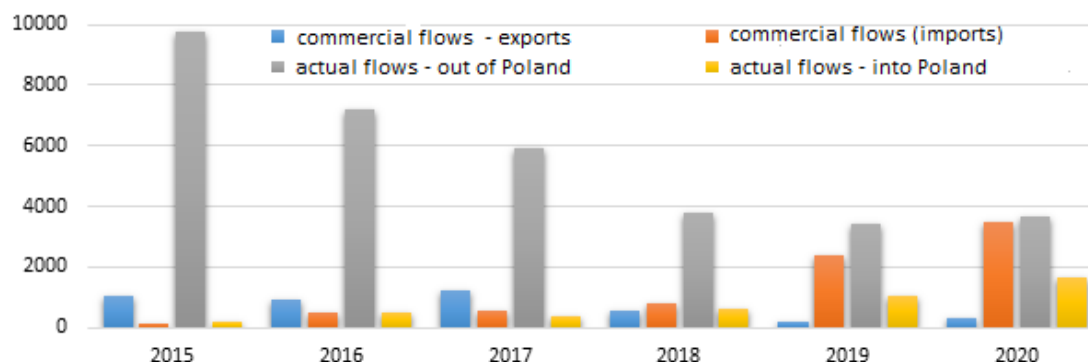
Figure 7. Comparison of commercial flow balances and actual electricity flow balances on interconnections with other countries (in total) in particular years 2015-2020 [GWh]



Source: URE on the basis of data provided by PSE S.A.

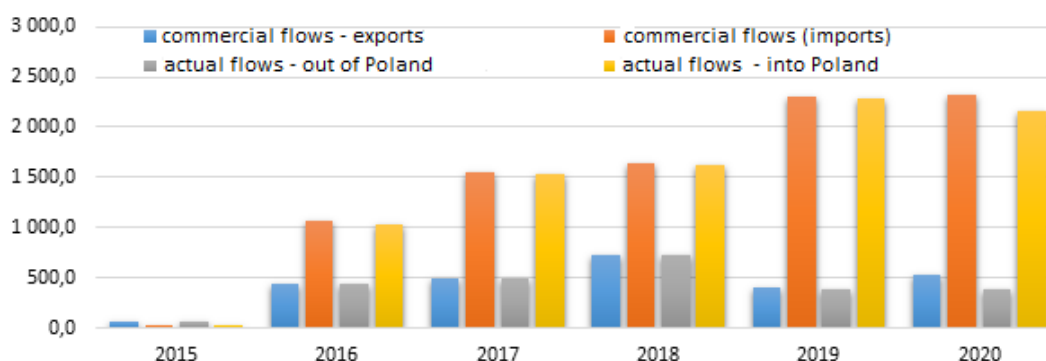
The figures below present a comparison of data on commercial flows (separately for imports and exports) and actual flows (separately for electricity flowing out of Poland and electricity flowing into Poland) broken down by individual connections with the neighbouring countries, that is on the connections of Poland with the Czech Republic, Lithuania, Germany, Slovakia, Sweden and Ukraine.

Figure 8. Comparison of commercial and actual electricity flows on the Poland-Czech Republic interconnection in 2015-2020 [GWh]



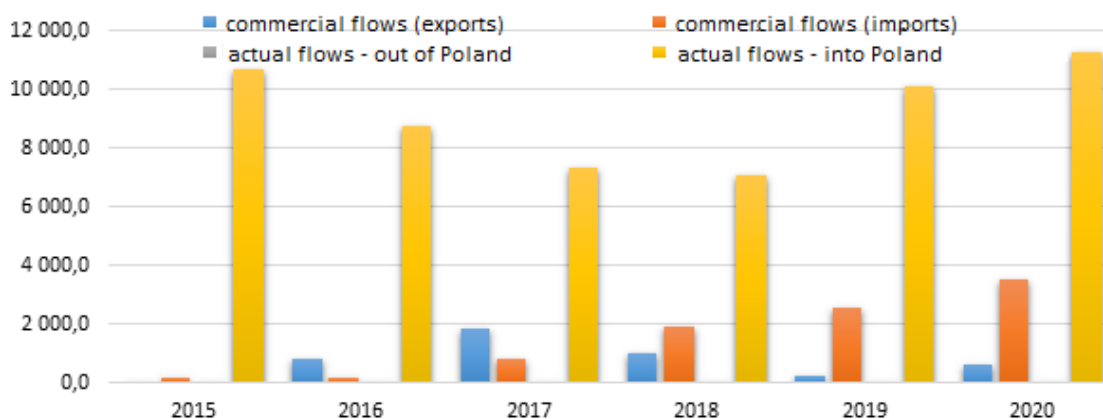
Source: URE on the basis of data provided by PSE S.A.

Figure 9. Comparison of commercial and actual electricity flows on the Poland-Lithuania interconnection in 2015-2020 [GWh]



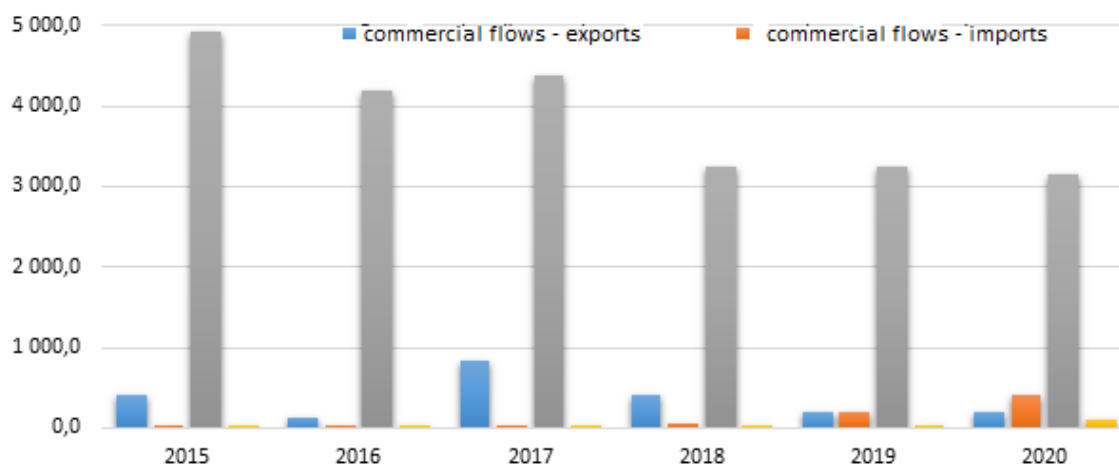
Source: URE on the basis of data provided by PSE S.A.

Figure 10. Comparison of commercial and actual electricity flows on the Poland-Germany interconnection in 2015-2020 [GWh]



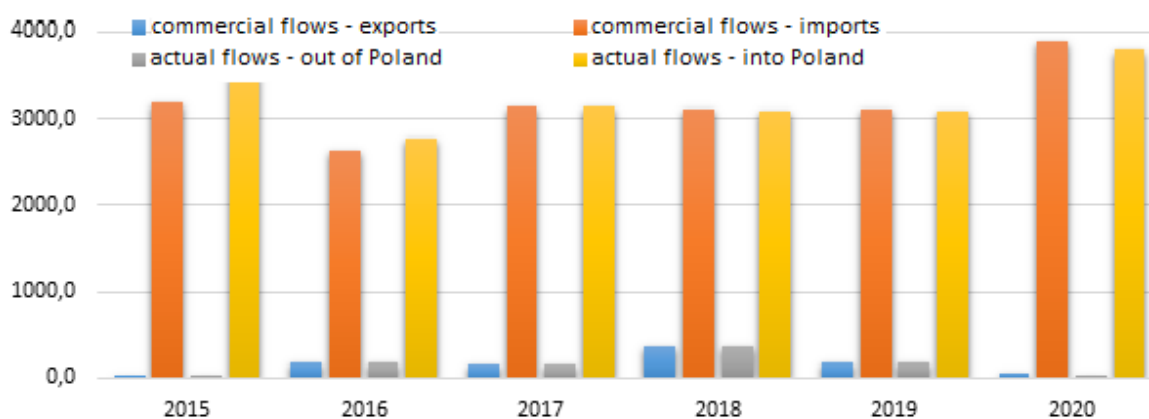
Source: URE on the basis of data provided by PSE S.A.

Figure 11. Comparison of commercial and actual electricity flows on the Poland-Slovakia interconnection in 2015-2020 [GWh]



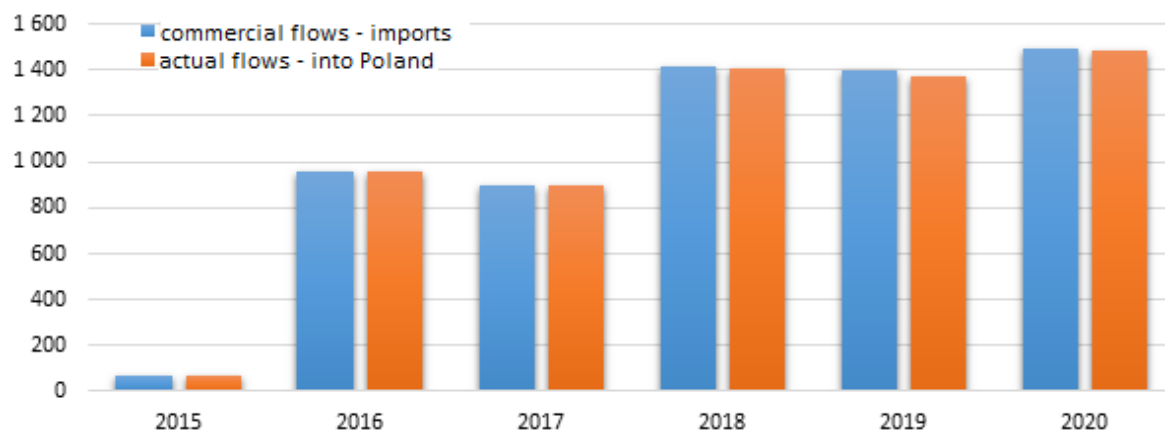
Source: URE on the basis of data provided by PSE S.A.

Figure 12. Comparison of commercial and actual electricity flows on the Poland-Sweden interconnection in 2015-2020 [GWh]



Source: URE on the basis of data provided by PSE S.A.

Figure 13. Comparison of commercial and actual electricity flows on the Poland-Ukraine interconnection (only for imports and energy flows out of Poland) in 2015-2020 [GWh]



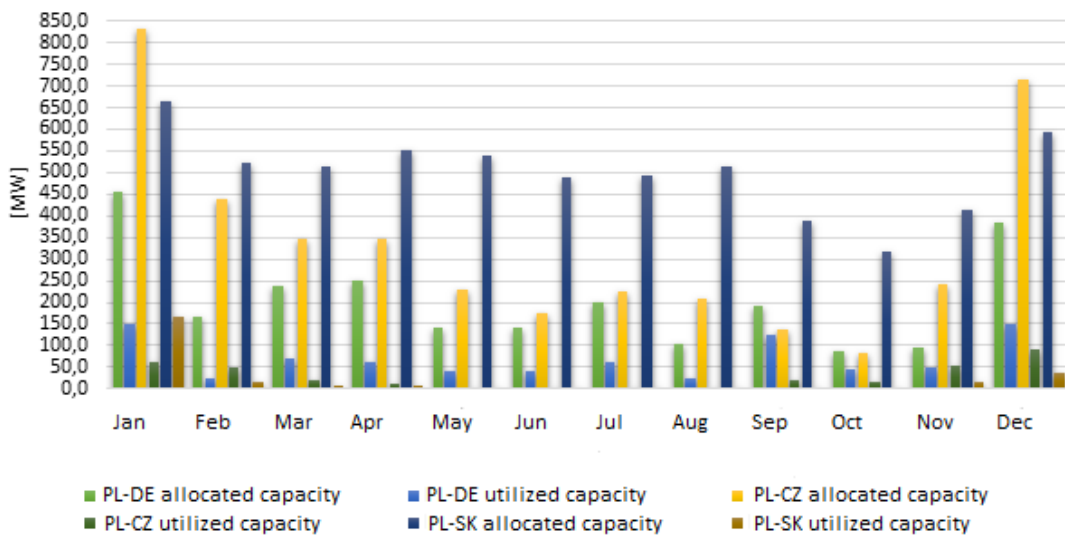
Source: URE on the basis of data provided by PSE S.A.

Trade Balance – the balance on the Polish borders in 2020 – amounted to +13,438.2 GWh (imports). Exports of electricity amounted in total to 1,711.9 GWh and decreased by ca. 42% as compared to the previous year. Imports also increased in 2020 and amounted to a total of 15,149.2 GWh (an increase of approx. 27% as compared to the previous year).

At the same time, attention should be drawn to the significant difference between commercial and actual electricity flows at synchronous borders (Germany, Czech Republic, Slovakia), which has persisted for many years, as a result of unplanned electricity flows that contribute to a significant reduction in the capacity offered to participants at these borders.

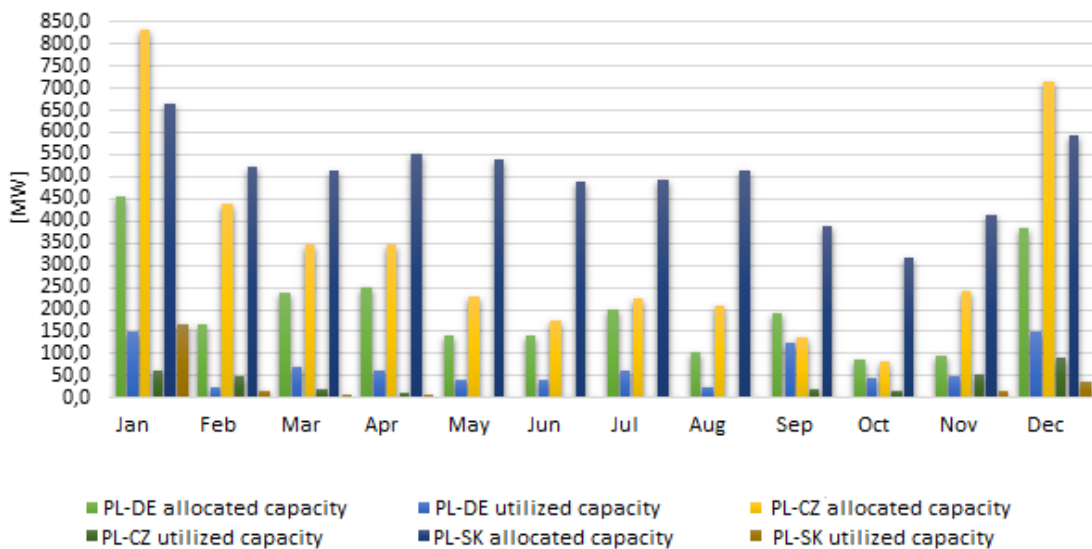
The figures below show monthly average volumes of allocated and utilized transmission capacities in export and import directions, respectively, on the synchronous interconnections.

Figure 14. Comparison of average monthly transmission capacity, allocated and utilized in export direction on synchronous interconnections in 2020 [MW]



Source: URE, on the basis of data provided by PSE S.A.

Figure 15. Comparison of average monthly transmission capacity, allocated and utilized in import direction on synchronous interconnections in 2020 [MW]



Source: URE, on the basis of data provided by PSE S.A.

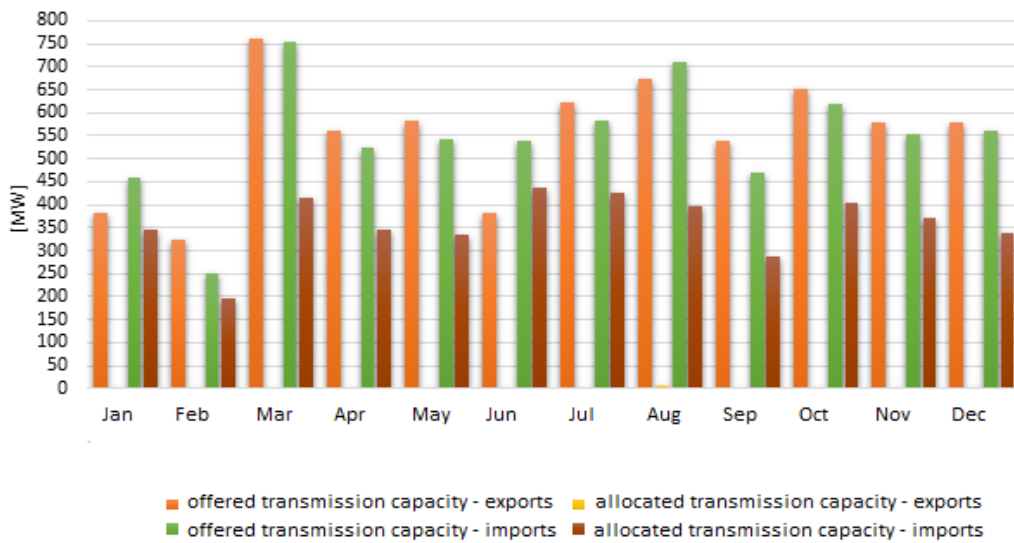
Total transmission capacities offered on a technical profile (jointly: Germany, Czech Republic, Slovakia) among commercial profiles (separately: Germany, Czech Republic, Slovakia) is allocated according to a price ranking of bids submitted by these participants. The data presented above indicate

that in case of exports market participants in 2020 did not show any clear preference, though these preferences changed in particular months. While in the case of electricity imports, allocation and utilization from Germany and the Czech Republic were dominant.

As in previous years, inter-operator remedial actions were taken, that is measures of an ad hoc nature to ensure the safe operation of interconnected systems. In 2020, these actions included only bilateral redispatching (no multilateral redispatching – MRA – was required), with the scale of bilateral redispatching from 50 Hertz being similar to the volume in 2019.

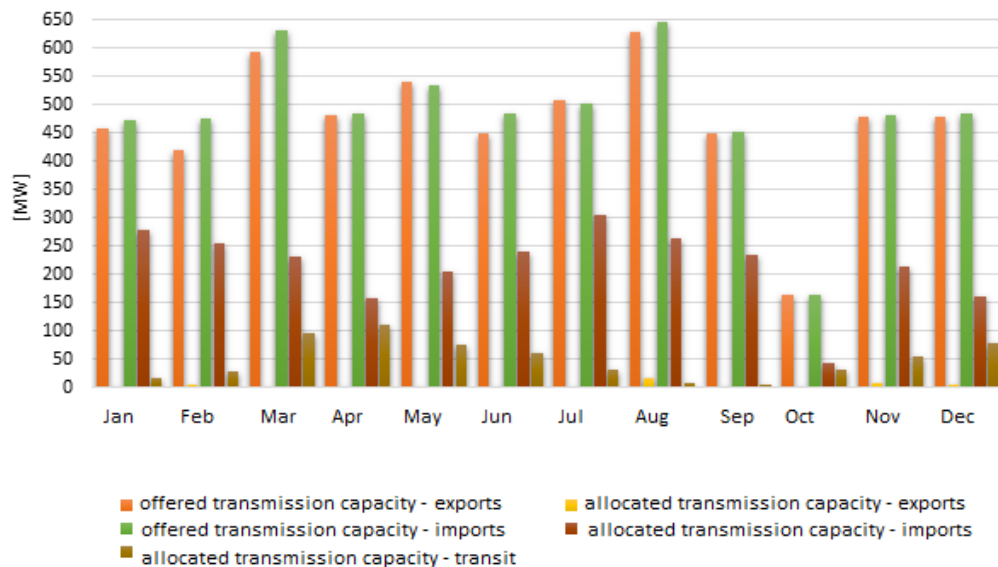
Transmission capacity on the Poland-Sweden and Poland-Lithuania DC interconnections in 2020 was allocated in the framework of daily implicit auctions based on the mechanism of single day-ahead market coupling operated by TGE S.A. and Nord Pool AS.

Figure 16. Comparison of monthly average transmission capacities offered and allocated on the Poland-Sweden interconnector in 2020 [MW]



Source: URE, on the basis of data provided by PSE S.A.

Figure 17. Comparison of monthly average transmission capacities offered and allocated on the Poland-Lithuania interconnector in 2020 [MW]



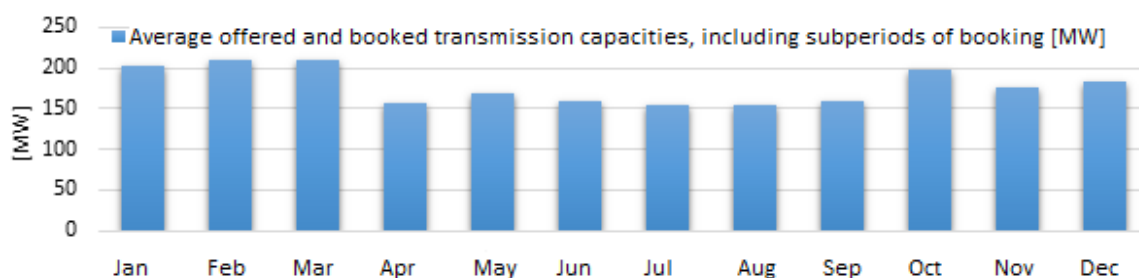
The chart also includes offered and allocated transmission capacity for transit from Sweden to Lithuania. There were no transit flows from Lithuania to Sweden in 2020.

Source: URE, on the basis of data provided by PSE S.A.

As shown by the data presented above, in 2020 for most of the time electricity prices were lower on the Scandinavian market, which in consequence resulted mainly in electricity imports to Poland from Sweden, limited for the NES safety reasons. Maximum volumes of offered transmission capacities amounted to 754 MW in import direction and 762 MW in export direction. A similar situation occurred on the Poland-Lithuania interconnector. The direction of commercial exchange on this interconnection was largely due to availability of the interconnector Lithuania-Sweden. Maximum volumes of offered transmission capacities amounted to 630 MW in export direction to Lithuania, and 647 MW in import direction to Poland. In addition, in 2020 transmission capacities for purposes of transit from Sweden to Lithuania, of average volume of 49 MW, were offered and allocated.

Transmission capacities on the Poland-Ukraine interconnection were made available on the basis of explicit monthly auctions. Transmission capacity was made available only in import direction to Poland of up to 210 MW.

Figure 18. Specification of monthly average offered and booked transmission capacities on the Poland-Ukraine interconnector (imports) in 2020



Source: URE, on the basis of data provided by PSE S.A.

Monitoring the limitations of transmission services in cross-border exchange due to lack of capacity or grid failures in 2020

In case of cross-border exchange on synchronous interconnections and interconnections Poland-Sweden and Poland-Lithuania, the limitations (reductions) of allocated transmission capacities did not occur in 2020. On the Poland-Ukraine interconnector on the Polish side there were no emergency shutdowns resulting in a reduction of planned supplies, either. Failure to comply with the exchange plans which occurred several times was due to an emergency shut down in Dobrotwór Power Plant.

3.1.7. Implementation of network codes and guidelines

On 4 July 2019, Regulation 2019/943 replacing Regulation 714/2009 entered into force. Regulation 714/2009 still grants the European Commission competence to adopt network codes and guidelines detailing their provisions. Network codes and guidelines are adopted in the form of regulations. They cover rules of market and system operation and connection to the grid, as well as other cross-border network issues and market integration issues and their purpose is to create tools to implement cross-border solutions in a structured manner. These regulations are in force in the Member States and are directly applicable without the need for implementation into national law.

The regulations contain directly applicable legal standards, but also specify the methods, conditions, requirements and rules to be developed by the individual entities (TSOs and NEMOs), and are then subject to approval by all European regulators, all regional regulators or individually by each regulatory authority (or other competent authority of the Member State concerned).

The introduction of Regulation 2019/943 does not affect the validity of the network codes and guidelines adopted under Regulation 714/2009, and work on their implementation continues, both on the part of TSOs and NEMOs as well as regulators and ACER.

It should be noted that Regulation 2019/943 imposed a number of further regulatory obligations on the regulators and ACER. In 2020, under this regulation, the President of URE, among others, issued a decision granting PSE S.A. a derogation from the obligation to make day-ahead cross-zonal

transmission capacity available¹⁴⁾, and was also involved in cases pending before ACER under that Regulation, among others, on questions of the scope of activity of the Regional Coordination Centres, or the method and assumptions to be used in the bidding zones review process and the consideration of alternative bidding zones configurations¹⁵⁾.

An important change from the point of view of regulators, introduced in turn by Regulation 2019/943, is that regulators lost the competence to issue EU-wide coordinated decisions and ACER gained it. The change in the procedure did not affect the involvement of the President of URE, who participated, through its representatives delegated to work in ACER task forces and working groups, in the process of preparing decisions.

The President of URE actively participated in cooperation at the regional level.

ACER's decision to determine the CCRs under Regulation CACM GL made it necessary for TSOs and national regulators to cooperate and coordinate jointly within the regions. The borders of the Polish market area are assigned to three independent CCRs (Hansa – Polish-Swedish border, Core – Polish-German, Polish-Czech and Polish-Slovakian border, Baltic – Lithuanian-Polish border). In addition, Regulation 2017/2195 indicates as a region the relevant geographical area and the synchronous area in addition to the CCR. SOGL additionally distinguishes the load- frequency control block (LFC block), which means a part of the synchronous area or the entire synchronous area, physically separated by measurement points in interconnections with other LFC blocks, covering at least one LFC area, operated by at least one TSO fulfilling the obligations of load and frequency control.

CACM GL

The President of URE, as part of its obligations under CACM GL, has taken part in the consultation, cooperation and joint coordination of regulatory authorities. Most of the conditions or methodologies submitted by a TSO or NEMO under that Regulation have been approved. Due to intensive work related to implementation of day-ahead and intraday market coupling, some of the conditions or methodologies already approved needed to be amended. With the entry into force of Regulation 2019/943, requests for methodological changes originally subject to approval by all regulators were addressed directly to ACER by the applicants. The President of URE was involved in all cases processed by ACER under that Regulation.

¹⁴⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9204,Decyzja-dotyczaca-przyznania-PSE-SA-odstepstwa-od-obowiazku-wdrozenia-minimalneg.html>

¹⁵⁾ ACER Decision No 29/2020: https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions-/ACER%20Decision%2029-2020%20on%20the%20Methodology%20and%20assumptions%20that%20are%20to%20be%20used%20in%20the%20bidding%20zone%20review%20process%20and%20for%20the%20alternative%20bidding%20zone%20configurations%20to%20be%20considered.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%2029-2020_Annexes/ACER%20Decision%2029-2020%20on%20the%20BZR%20-%20Annex%20I%20_%20BZR%20methodology.pdf

Table 4. Status of work on the methodologies or conditions arising from Regulation CACM GL, which are subject to approval by all regulators or ACER (status is given as at the end of 2020), as proceeded by the President of URE in 2020

Conditions or methodologies	Applicants	Status
Setting up a transit forwarding system for the exchange of electricity and financial clearing within the single coupling of the intra-day electricity market	Ex officio in favour of NEMO	Decision of the President of URE ¹⁶⁾
Requirements for efficient matching to enable the development of a price coupling algorithm and continuous trading algorithm	NEMO	ACER Decision No 04/2020 ¹⁷⁾
Products in the single intraday market coupling	NEMO	ACER Decision No 05/2020 ¹⁸⁾
Products in the single day-ahead market coupling	NEMO	ACER Decision No 37/2020 ¹⁹⁾

Source: URE's own materials.

Table 5. Status of the methodologies or conditions under Regulation CACM GL being processed by the URE President in 2020, which are subject to approval by the regulatory authorities of the region (status given as at the end of 2020)

Conditions or methodologies	CCR	Applicants	Status
Change of the methodology for coordinated redispatching and countertrading	Hansa	TSO	Cooperation and joint coordination of regulators to reach an agreement
Change of the methodology for coordinated calculation of transmission capacity	Hansa	TSO	Cooperation and joint coordination of regulators to reach an agreement
Methodology for coordinated redispatching and countertrading	Core	TSO	ACER Decision No 33/2020 ²⁰⁾

¹⁶⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9076,Decyzja-w-zwiazku-z-postepowaniem-administracyjnym-prowadzonym-w-stosunku-do-Tow.html>;
<https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9075,Decyzja-w-zwiazku-z-postepowaniem-administracyjnym-prowadzonym-w-stosunku-do-Epe.html>;
<https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9074,Decyzja-w-zwiazku-z-postepowaniem-administracyjnym-prowadzonym-w-stosunku-do-Nor.html>

¹⁷⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2004-2020-%20on%20Algorithm%20methodology.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C5/ACER%20Decision%20on%20Algorithm%20-%20Annex%20I%20-%20Algorithm%20methodology.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C5/ACER%20Decision%20on%20Algorithm%20-%20Annex%20II%20-%20DA%20requirements.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C5/ACER%20Decision%20on%20Algorithm%20-%20Annex%20III%20-%20ID%20requirements.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C5/ACER%20Decision%20on%20Algorithm%20-%20Annex%20IV%20-%20DA%20monitoring.pdf

¹⁸⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2005-2020-%20on%20ID%20Products.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C6/ACER%20Decision%20on%20ID%20Products%20-%20Annex%20I%20-%20Terms%20and%20conditions.pdf

¹⁹⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2037-2020-%20on%20the%20DA%20Products.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%2037-2020_Annexes/ACER%20Decision%2037-2020%20on%20the%20DA%20Products%20-%20Annex%20I.pdf

²⁰⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2035-2020-%20on%20Core%20RDCT%2035.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%2035-2020_Annexes/ACER%20Decision%2035-2020%20on%20Core%20RDCT%2035%20-%20Annex%20I.pdf

Conditions or methodologies	CCR	Applicants	Status
Cost sharing of redispatching or countertrading	Core	TSO	ACER Decision No 30/2020 ²¹⁾
Change in the cost sharing of redispatching or countertrading	Hansa	TSO	Cooperation and joint coordination of regulators to reach an agreement
Change in the method for calculation of day-ahead capacity	Core	TSO	Cooperation and joint coordination of regulators to reach an agreement
Change to reserve procedures	Core	TSO	Regulators' agreement to refer to ACER

Source: URE's own materials.

FCA GL

As part of its obligations under the Regulation, the President of URE has taken part in the consultation, cooperation and joint coordination of regulatory authorities. Many of the conditions or methodologies submitted by the TSOs have already been approved and work on others is in progress.

Table 6. Status of work on the methodologies or conditions arising from FCA GL, which are subject to approval by all regulatory authorities or ACER (status as at the end of 2020), as proceeded by the President of URE in 2020

Conditions or methodologies	Applicants	Status
Methodology for sharing of costs incurred to ensure firmness and remuneration of long-term transmission rights	TSO	ACER Decision No 25/2020 ²²⁾

Source: URE's own materials.

Table 7. Status of work on the methodologies or conditions arising from FCA GL, which are subject to approval by all regulatory authorities of a given region (status as at the end of 2020), as proceeded by the President of URE in 2020

Conditions or methodologies	CCR	Applicants	Status
Methodology for calculation of long-term transmission capacity	Baltic	TSO	ACER Decision No 27/2020 ²³⁾
Methodology for calculation of long-term transmission capacity	Hansa	TSO	Decision of the President of URE ²⁴⁾
Methodology for the allocation of long-term cross-zonal transmission capacity	Core	TSO	Decision of the President of URE ²⁵⁾

²¹⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2030-2020-%20on%20Core%20RDCT%20Cost%20Sharing.pdf;

Aneks1: https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%2030-2020_Annexes/ACER%20Decision%2030-2020%20on%20Core%20RDCT%20Cost%20Sharing%20-%20Annex%20I.pdf

²²⁾ https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2025-2020%20on%20the%20methodology%20for%20sharing%20costs%20incurred%20to%20ensure%20firmness%20and%20remuneration%20of%20long-term%20transmission%20rights.pdf

²³⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2027-2020-%20on%20Baltic%20LT%20CCM.pdf

²⁴⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9203,Decyzja-dotyczaca-metody-wyznaczania-zdolnosci-przesylowych-zgodnie-z-art-10-ust.html>

²⁵⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/8930,Decyzja-dotyczaca-zatwierdzenia-propozycji-metody-rozdzielania-miedzynobzarowych.html>

Change in the regional model for long-term transmission rights	Core	TSO	Decision of the President of URE ²⁶⁾
Methodology for calculation of long-term transmission capacity	Core	TSO	Cooperation and joint coordination of regulators to reach an agreement

Source: URE's own materials.

EB GL

As part of its obligations under the Regulation, the President of URE has taken part in the consultation, cooperation and joint coordination of regulatory authorities. Work on the conditions or methodologies submitted by all TSOs is in progress. With the entry into force of Regulation 2019/943, proposals for conditions or methodologies originally subject to approval by all regulatory authorities have been submitted to ACER. The President of URE has been involved in all cases proceeded by ACER under this Regulation.

Table 8. Status of work on the methodologies or conditions arising from EB GL, which are subject to approval by all regulatory authorities or ACER (status as at the end of 2020), as proceeded by the President of URE in 2020

Conditions or methodologies	Applicants	Status
Methodology to determine prices for the balancing energy that results from the activation of balancing energy bids	TSO	ACER Decision No 01/2020 ²⁷⁾
Implementation framework for the European platform for the exchange of balancing energy from frequency restoration reserves with automatic restoration	TSO	ACER Decision No 02/2020 ²⁸⁾
Implementation framework for the European platform for the exchange of balancing energy from frequency restoration reserves with manual restoration	TSO	ACER Decision No 03/2020 ²⁹⁾
Methodology for a co-optimized allocation process of cross-zonal capacity	TSO	ACER Decision No 12/2020 ³⁰⁾

²⁶⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9040,Decyzja-dotyczaca-zmiany-regionalnego-mo-delu-dlugoterminowych-praw-przesylowych.html>

²⁷⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2001-2020-%20on%20the%20Methodology%20for%20pricing%20balancing%20energy.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C2/ACER%20Decision%20on%20the%20Methodology%20for%20pricing%20balancing%20energy%20-%20Annex%20I.pdf;

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C2/ACER%20Decision%20on%20the%20Methodology%20for%20pricing%20balancing%20energy%20-%20Annex%20II.pdf

²⁸⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2002-2020-%20on%20the%20Implementation%20framework%20for%20aFRR%20Platform.pdf;

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C3/ACER%20Decision%20on%20the%20Implementation%20framework%20for%20aFRR%20Platform%20-%20Annex%20I.pdf;

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C3/ACER%20Decision%20on%20the%20Implementation%20framework%20for%20aFRR%20Platform%20-%20Annex%20II.pdf

²⁹⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2003-2020-%20on%20the%20Implementation%20framework%20for%20mFRR%20Platform.pdf;

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C4/ACER%20Decision%20on%20the%20Implementation%20framework%20for%20mFRR%20Platform%20-%20Annex%20I.pdf;

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C4/ACER%20Decision%20on%20the%20Implementation%20framework%20for%20mFRR%20Platform%20-%20Annex%20II.pdf

³⁰⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2012-2020-%20on%20a%20co-optimised%20allocation%20process%20of%20cross-zonal%20capacity.pdf;

Conditions or methodologies	Applicants	Status
Implementation framework for the European platform for the imbalance netting process	TSO	ACER Decision No 13/2020 ³¹⁾
Methodology for classifying the activation purposes of balancing energy bids	TSO	ACER Decision No 16/2020 ³²⁾
Common settlement rules applicable to all intended exchanges of energy	TSO	ACER Decision No 17/2020 ³³⁾
Harmonization of the main features of imbalance settlement	TSO	ACER Decision No 18/2020 ³⁴⁾
Methodologies for pricing of balancing energy and cross-zonal transmission capacity applied for the purpose of exchange of balancing energy or imbalance netting process managing	TSO	Referred to ACER
List of standard products for balancing capacity for frequency restoration reserves and replacement reserves	TSO	Referred to ACER

Source: URE's own materials.

Table 9. Status of work on the methodologies or conditions arising from EB GL, which are subject to approval by all regulatory authorities of a given region, as proceeded by the President of URE in 2020

Conditions or methodologies	CCR or other region	Applicants	Status
Common settlement rules applicable to scheduled energy exchanges	continental Europe synchronous area		Decision of the President of URE ³⁵⁾
Common settlement rules applicable to scheduled energy exchanges	all asynchronously connected TSOs	TSO	Decision of the President of URE ³⁶⁾
Common settlement rules applicable to every unscheduled energy exchange	continental Europe synchronous area	TSO	Decision of the President of URE ³⁷⁾

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C11/ACER%20Decision%20on%20CO%20CZCA%20-Annex%20I.pdf

³¹⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2013-2020-%20on%20Implementation%20framework%20for%20imbalance%20netting.pdf;

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%2013-2020_Annexes/Corrigendum%20to%20ACER%20Decision%2013-2020.pdf;

https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C12/ACER%20Decision%20on%20INIF%20Annex%20I.pdf

³²⁾ [https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2016-2020-%20on%20the%20methodology%20for%20classifying%20the%20activation%20purposes%20of%20balancing%20energy%20bids%20\(APP\).pdf](https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2016-2020-%20on%20the%20methodology%20for%20classifying%20the%20activation%20purposes%20of%20balancing%20energy%20bids%20(APP).pdf);

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C13/ACER%20Decision%2016-2020%20on%20balancing%20APP-%20Annex%20I.pdf

³³⁾ [https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2017-2020-%20on%20the%20common%20settlement%20rules%20applicable%20to%20all%20intended%20exchanges%20of%20energy%20\(SP\).pdf](https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2017-2020-%20on%20the%20common%20settlement%20rules%20applicable%20to%20all%20intended%20exchanges%20of%20energy%20(SP).pdf);

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C14/ACER%20Decision%2017-2020%20on%20balancing%20SP%20-%20Annex%20I.pdf

³⁴⁾ [https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2018-2020-%20on%20the%20harmonisation%20of%20the%20main%20features%20of%20imbalance%20settlement%20\(ISHP\).pdf](https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2018-2020-%20on%20the%20harmonisation%20of%20the%20main%20features%20of%20imbalance%20settlement%20(ISHP).pdf);

https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Annexes%20to%20the%20DECISION%20OF%20THE%20AGENCY%20FOR%20THE%20C15/ACER%20Decision%2018-2020%20on%20balancing%20ISHP%20-%20Annex%20I.pdf

³⁵⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/8885,Wspolne-zasady-rozliczania-majace-zastowanie-do-kazdego-przypadku-planowanej-w.html>

³⁶⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/8860,Decyzja-dotyczaca-zatwierdzenia-wspolnych-zasad-rozliczania-planowanej-wymiany-e.html>

³⁷⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/8886,Wspolne-zasady-rozliczania-majace-zastowanie-do-kazdego-przypadku-nieplanowane.html>

Conditions or methodologies	CCR or other region	Applicants	Status
Common settlement rules applicable to every unscheduled energy exchange	all asynchronously connected TSOs	TSO	Decision of the President of URE ³⁸⁾
Methodology for market-based allocation of cross-zonal transmission capacity for balancing capacity exchange or reserve sharing	Baltic	TSO	Regulators' agreement to refer to ACER
Methodology for market-based allocation of cross-zonal transmission capacity for balancing capacity exchange or reserve sharing	Hansa	TSO	Regulators' agreement to refer to ACER
Methodology for market-based allocation of cross-zonal transmission capacity for balancing capacity exchange or reserve sharing	Core	TSO	Regulators' agreement to refer to ACER
Market-based allocation methodology for cross-zonal transmission capacity based on economic efficiency analysis	Core	TSO	Regulators' agreement to refer to ACER

Source: URE's own materials.

In 2020 the President of URE under EB GL conducted the following proceedings on the conditions or methodologies subject to approval by every regulatory authority of each of the Member States concerned:

- proceedings for the approval of balancing conditions, concluded with the decision of the President of URE of 5 March 2020³⁹⁾, amended by the decision of 1 December 2020⁴⁰⁾ and of 16 December 2020⁴¹⁾,
- proceedings for granting PSE S.A. a derogation from the implementation of the requirements concerning the use of the European platform for balancing energy exchange from substitute reserves, concluded with the decision of 9 January 2020 granting a derogation for a maximum period of two years, that is until 15 January 2022⁴²⁾,
- proceedings to grant PSE S.A. a derogation from the implementation of the requirement to apply a 15-minute imbalance settlement period, concluded with a decision granting a derogation for a period ending on 31 December 2021⁴³⁾

SOGL

In 2020 the TSO submitted to the President of URE an application for approval of the document entitled: "Scope of data exchange for the purpose of planning the operation and maintenance of the NES traffic", which was developed on the basis of Article 40(5) of this regulation and defines the scope of data exchange for the purposes of planning the operation and maintenance of NES traffic. This document is an update of the previously binding document entitled "Proposal for the scope of data exchanged for the purposes of

³⁸⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/8660,Decyzja-dotyczaca-wspolnych-zasad-rozliczenia-w-przypadku-nieplanowanej-wymiany-.html>

³⁹⁾ <https://bip.ure.gov.pl/download/3/12058/WarunkidotyczacebilansowaniaPSE.pdf>

⁴⁰⁾ <https://bip.ure.gov.pl/download/3/12917/01122020warunkidotyczacebilansowaniaPSE.pdf>

⁴¹⁾ <https://bip.ure.gov.pl/download/3/12988/ZmianaWarunkowBilansowania.pdf>

⁴²⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/8661,Decyzja-dotyczaca-przyznania-Polskim-Siecjom-Elektroenergetycznym-SA-odstepstwa-.html>

⁴³⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9186,Decyzja-w-sprawie-odstepstwa-od-wdrozenia-wymogu-stosowania-okresu-rozliczania-n.html>

planning the operation and maintenance of the NES traffic" of 13 September 2018, approved by the President of URE by decision of 15 March 2019. The need to update the document was mainly due to: (i) adjustment of the balancing market rules to the new regulations and requirements set out in the Polish Implementation Plan, adopted on 14 May 2020 by the Committee for European Affairs, (ii) entry into force of the capacity market solutions, and (iii) entry into force of amendments to the TNC. The proceedings were concluded with the approval of the submitted document by the President of URE in February 2021.

Table 10. Status of work on the methodologies or conditions arising from SOGL processed by the President of URE in 2020

Conditions or methodologies	Applicants	Status
Scope of data to be exchanged for operational planning and maintenance of NES	TSO	Decision of the President of URE ⁴⁴⁾

Source: URE's own materials.

Table 11. Status of work on the methodologies or conditions arising from EB GL, which are subject to approval by all regulatory authorities of a given region, as proceeded by the President of URE in 2020 (status as at the end of 2020)

Conditions or methodologies	CCR or other region	Applicants	Status
Common provisions for regional operational security coordination	Baltic	TSO	Decision of the President of URE ⁴⁵⁾
Common provisions for regional operational security coordination	Hansa	TSO	Cooperation and joint coordination of regulators to reach an agreement
Common provisions for regional operational security coordination	Core	TSO	ACER Decision No 33/2020 ⁴⁶⁾

Source: URE's own materials.

ER NC

In 2020, at the request of the TSO, the President of URE approved a document entitled the Test Plan, which identified the equipment and generation capacity relevant to the System Defence Plan and the Restoration Plan in accordance with the minimum requirements established by ER NC. This regulation imposed an obligation on the TSO to develop the Test Plan in consultation with distributors, Significant Grid Users (SGU) and defence and restoration service providers. The purpose of the regulation is to ensure operational security, prevent the propagation or deterioration of an incident so as to avoid the spread of the disturbance and blackouts, as well as to enable efficient and rapid restoration of the power system from a state of emergency or blackout. The document entitled the Test Plan approved by the President of URE came into force on 1 November 2020.

In addition, in 2020, President of URE received a request from the TSO for approval of an amendment to the currently applicable document *List of SGUs responsible for the implementation in their installations of measures resulting from mandatory requirements set out in Regulations (EU) 2016/631, (EU) 2016/1388 and (EU) 2016/1447 or from national legislation and list of measures to be implemented by the SGUs concerned as defined by the TSO in accordance with Article 11(4)(c) and 23(4)(c)*

⁴⁴⁾ <http://bip.ure.gov.pl/download/3/13176/decyzjaee19.pdf>

⁴⁵⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/europejskiree/decyzje/9112,Decyzja-w-sprawie-regionalnej-koordynacji-bezpieczenstwa-pracy-zgodnie-z-art-76-.html>

⁴⁶⁾ https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%2033-2020-%20on%20Core%20ROSC.pdf;
https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions%20Annexes/ACER%20Decision%20No%2033-2020_Annexes/ACER%20Decision%2033-2020%20on%20Core%20ROSC%20-%20Annex%20I.pdf

(Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration). The update of this list is related to the commissioning or decommissioning of generation modules. The proceedings were concluded with the approval by the President of URE of the submitted SGU List in March 2021.

Table 12. Status of work on the methodologies or conditions arising from EB GL, as proceeded by the President of URE in 2020

Conditions or methodologies	Applicants	Status
Test Plan developed pursuant to Article 43(2) of ER NC	TSO	Decision of the President of URE ⁴⁷⁾
List of SGUs responsible for the implementation in their installations of measures resulting from mandatory requirements set out in RfG NC, DC NC and HVDC NC or from national legislation and list of measures to be implemented by the SGUs concerned as defined by the TSO in accordance with Article 11(4)(c) and 23(4)(c) of ER NC	TSO	Decision of the President of URE ⁴⁸⁾

Source: URE's own materials.

Implementation of grid connection codes (RfG NC, DC NC and HVDC NC)

In 2020 the President of URE implemented additional activities related to RfG NC. The Network Code established by the Regulation regarding the requirements for the connection of generation units to the grid included synchronous power generation modules and power park modules, including marine power park modules, with a maximum capacity equal to or greater than 0.8 kW. The connection requirements shall apply to new generation modules and to existing type C or D modules where they have been modified to the extent that the connection contract has to be amended and to the modules covered by the requirements of the Regulation on the basis of a decision of the regulatory authority taken at the request of the transmission system operator. At the same time, Article 4(2) of RfG NC stipulates that apart from the power-generating modules already connected to the network on the date of entry into force of the Regulation, power-generating modules for which the power-generating facility owner has concluded a final and binding contract for the purchase of the main generating plant by two years of the entry into force of that Regulation (that is before 17 May 2018) and has notified the relevant system operator and the relevant TSO of conclusion of the contract within 30 months after the entry into force of this Regulation (that is before 17 November 2018) should also be considered as existing.

Pursuant to Article 8a of the Energy Law Act, in the version in force since 1 January 2019, the operator of the electricity system to whose network the devices, installations or networks are connected may submit an application to the President of URE to decide whether these devices, installations or networks meet the requirements for being considered existing or new.

In 2020, two proceedings were completed that were initiated back in 2019 at the request of the TSO to decide whether a given generating module meets the requirements to be deemed existing or new. One of these proceedings concluded with the issuance of a decision on the recognition of a generating module – a wind farm installation as existing within the meaning of Article 4(2)(b) of RfG NC. On the other hand, the second proceeding concluded with the issuance of a decision on discontinuation due to its irrelevance, due to the termination of the contract for the provision of electricity transmission services concluded between the TSO and the investor of the generating module.

In 2020, an entity which does not have the status of an electricity grid operator submitted four applications to the President of URE for the assessment of the compliance of power generating modules with the requirements to be considered as existing or new within the meaning of RfG NC. Taking into

⁴⁷⁾ <https://bip.ure.gov.pl/download/3/12488/PSEdecyzjaPlanTestow.pdf>

⁴⁸⁾ <http://bip.ure.gov.pl/download/3/13226/PSEwykazSGU.pdf>

account the provisions of Article 8a of the Energy Law Act, according to which, in doubtful cases, it is the operator of the electricity system to whose network the devices, installations or networks are connected, who may submit an application to the President of URE for the determination of whether these devices, installations or networks meet the requirements to be considered as existing or new – the President of URE left the applications without consideration.

In 2020, the President of URE received a request from DSOs for a decision pursuant to Article 4(1)(a)(iii) of DC NC on the need to revise the existing connection agreement or the need to conclude a new connection agreement and which requirements set out in the Regulation apply. In accordance with the procedure set out in Article 4(1)(a) of DC NC, DSOs who intend to undertake modernization of a plant impacting the technical capabilities of the transmission-connected demand facility, the transmission-connected distribution facility, the distribution system, or the demand unit shall notify their plans to the relevant system operator in advance. If the relevant system operator considers that the extent of the modernization or replacement of equipment is such that a new connection agreement is required, the system operator shall notify the President of URE, who, as part of the proceedings, shall decide if the existing connection agreement needs to be revised or a new connection agreement is required and which requirements of this Regulation shall apply. The proceedings were concluded in March 2021 with the decision to recognize the need for a new connection agreement and to apply, as applicable to this case, the requirement of DC NC.

The entry into force of RfG NC, DC NC and HVDC NC imposed new obligations on electricity system operators to connect electricity generators, customers, networks and DC connections in a transparent and non-discriminatory manner. In order to assess their implementation, in 2020 the President of URE conducted a survey, which covered all electricity system operators. The survey covered the technical requirements imposed on installations connected to the NES, information obligations related to the connection process, as well as the provisions of contracts and general terms and conditions in terms of their adaptation to the connection requirements of the Network Codes. The study covered the year 2019, that is the period in which the application of the requirements under the connection Network Codes started. The study showed that the majority of operators are complying with the obligations under the connection Network Codes. The remaining group of operators is in the process of fulfilling these obligations or should take appropriate measures to fulfil them.

3.1.8. Electromobility

Under the new competences arising from the Act on electromobility and alternative fuels, the President of URE designates energy enterprises to act as operators of public-access charging stations and suppliers of charging services at public-access charging stations to be built by the distribution system operator, the power DSO responsible for the location of the charging station indicated in the plan for the construction of public-access charging stations adopted by the municipality council. To perform these functions, the President of URE designates the energy company performing business activity in the field of electricity trading, which sells electricity to the largest number of final customers connected to the power distribution network on the territory of the municipality in which it is to perform the function of the operator of a public charging station and the charging service provider (proceedings in this case are conducted at the request of the executive body of the relevant municipality).

By the end of April 2021, the President of URE completed 16 administrative proceedings, as a result of which it appointed energy companies which, on the territory of 16 municipalities, perform the function of a public charging station operator and a charging service provider. The list of these municipalities was made available on the URE website⁴⁹⁾.

Work is currently underway to amend the Act on Electromobility and Alternative Fuels due to the need to implement European directives into national law, including the Directive 2019/944.

⁴⁹⁾ <https://www.ure.gov.pl/pl/energia-elektryczna/operatorzy-ogolnodostep/9283,Wykaz-przedsiębiorstw-energetycznych-wyznaczonych-do-pelnienia-funkcji-operatora.html>

3.2. Competition and market operation

3.2.1. Wholesale market

The volume of gross domestic electricity production in 2020 was lower than that of the preceding year and amounted to 152,308 GWh (decrease by 4.1% in comparison to 2019). The production volume has decreased for a third year in a row. In the reported period, gross domestic electricity consumption amounted to 165,532 GWh and decreased by 2.3% as compared to 2019.

The decrease in domestic electricity consumption was slightly smaller than the decrease in GDP in 2020, which according to the Central Statistical Office's preliminary estimate was -2.8%.

In 2020, in the national balance of physical flows of electricity, the share of imports accounted for 11.8% of total revenue, while the share of exports amounted to 4.2% of electricity outflows. In comparison to 2019, the share of imports increased by 1.7 percentage points, while the share of exports increased by 0.1 percentage points.

The structure of electricity production in 2020 did not change significantly in comparison to 2019. The vast majority of generation is still based on conventional fuels, that is hard coal and lignite, although their share decreased from 75% to 72%. At the same time, wind generation continued to be the production leader in the RES segment.

In 2020, the installed capacity of the national electricity system was 49,238 MW and the generating capacity was 49,095 MW, an increase of 5.2% and 4.4%, respectively, compared to 2019⁵⁰).

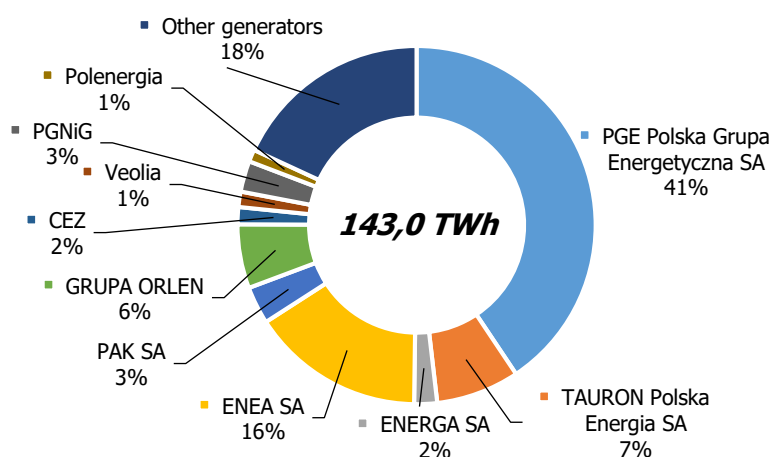
The average annual capacity demand was 22,424.3 MW, with a maximum demand of 26,798.8 MW, a decrease of 2.8% and an increase of 1.1% respectively, compared to the previous year.

Entity structure of the energy wholesale market

For several years, the largest market share in the electricity generation subsector has been held by the PGE Polska Grupa Energetyczna S.A. group. In 2020, as in 2019, its share was 40.6%⁵¹). During the period in question, the Group also maintained its leading position on the market for sales to final customers.

Share of particular groups in the volume of electricity fed into the grid is shown in the figure below.

Figure 19. Share of particular groups in the volume of electricity fed into the grid in 2020 (considering the entity structure as at 31 December 2020)



NB. The group "Other generators" includes both generators which are part of groups (for example Azoty, innogy, FORTUM) and generators operating individually on the electricity generation market – outside groups.

Source: Data of the Ministry of Climate and Environment and URE.

⁵⁰) As at 31 December 2019 and 31 December 2020, data of PSE S.A.

⁵¹) Share calculated by volume of electricity fed into the grid. The calculation of this indicator takes into account the structure of entities as at 31 December 2020.

With respect to the market share of three largest entities, measured according to the volume of electricity fed into the grid (taking into account the volume of electricity supplied by generators directly to final customers), in 2020⁵²⁾ it maintained the downward trend of 2019 and amounted to 63.8% (which is a decrease by 2.6 percentage points as compared to 2019). There was also a clear downward trend in the share of the three largest generators in installed capacity, down 3.7 percentage points. Three largest generators (members of groups: PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A.) still held in total almost 2/3 of installed capacities and were responsible for almost 62% of domestic electricity production. The above mentioned indices are presented in Table 13. While among three dominant entities on the electricity generation market, in 2020 the importance of generators being part of ENEA S.A. decreased. This is due to a decrease in electricity production at generators operating in this group by nearly 14%.

It is worth noting that in 2020 the number of entities holding at least a 5% share in installed capacities and at least a 5% share in the energy fed into the grid did not change in comparison to 2019.

Table 13. Market shares and concentration of the generation subsector*

Year	Number of companies holding at least a 5% share in installed capacity	Number of companies holding at least a 5% share in electricity fed into the grid	Share of three largest entities in installed capacity [%]	Share of three largest entities in electricity fed into the grid [%]	HHI ⁵³⁾	
					Installed capacity	Electricity fed into the grid
2019	3	4	62.1	66.4	1,809.2	2,090.5
2020	3	4	58.3	63.8	1,562.2	2,019.9

* For all entities operating in the generation sector, which are subject to an obligation of reporting statistics, including installed capacity and energy fed into the grid from wind and hydro sources.

When calculating the market share ratios of the three largest entities and HHI ratios, both according to the energy fed into the grid and the installed capacity, the structure of the entity as at 31 December 2020 was taken into account.

Source: Data of the Ministry of Climate and Environment and URE.

A many-year downward trend concerning in particular HHI, measured according to installed capacity and according to volume of electricity fed into the grid (including volume of electricity supplied by generators directly to final customers) changed considerably in 2017 and the intensity of this change was also observed in 2020. Both concentration ratios decreased in the reporting period, while the concentration index for installed capacity decreased by almost 14% and for electricity fed into the grid – it decreased by over 3% in comparison to 2019.

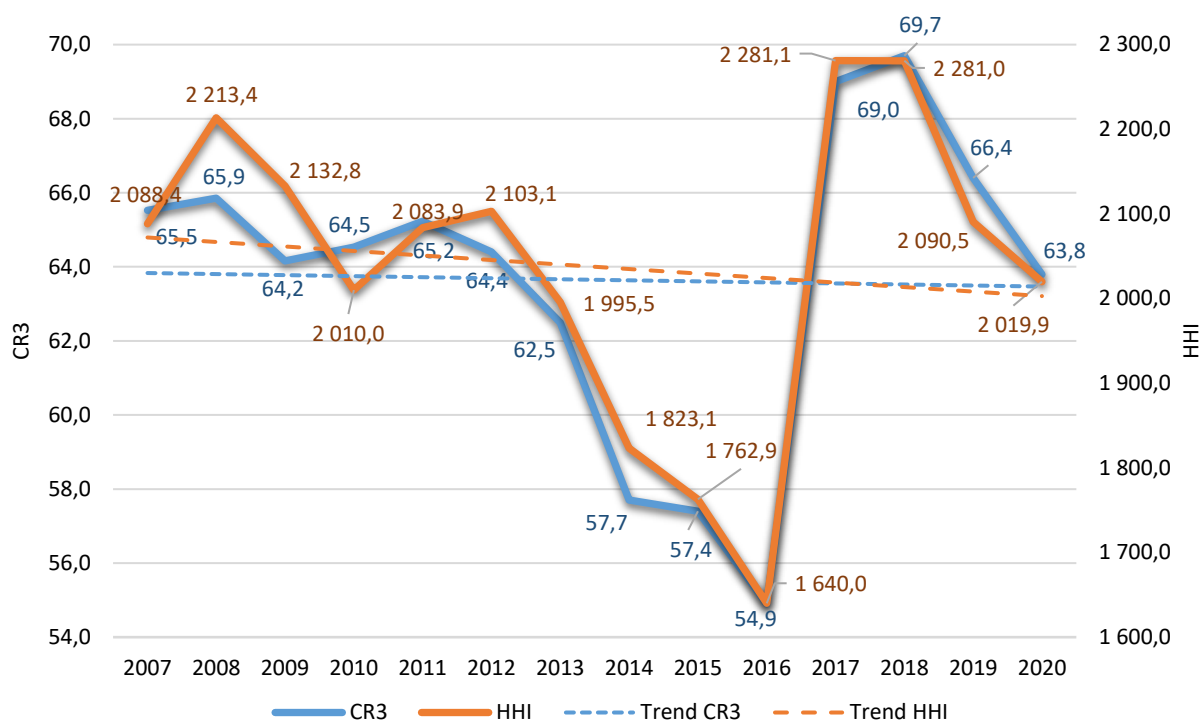
It is worth emphasizing that this index calculated for generation in 2020 maintained a value indicating a still high market concentration. It should also be noted that in 2020, the concentration index calculated for installed capacity for the first time moved from the high concentration level to a medium concentration level in the generation market.

The changes of concentration index (HHI) and index of market shares of three largest entities in the generation subsector in the years 2007-2020 are presented in the figure below.

⁵²⁾ When calculating the market share ratios of the three largest entities, both according to the energy fed into the grid and the installed capacity, the entity structure as at 31 December 2020 was taken into account.

⁵³⁾ The Herfindahl-Hirschman index (HHI) is defined as the sum of squares of individual market shares of all companies forming a given branch: HHI > 5,000 – very high concentration, HHI from 1,800 to 5,000 – high concentration, HHI from 750 to 1,800 – medium concentration, below 750 – low concentration (according to the "Report on progress in creating the internal electricity and gas market", Brussels 2005 and J. Kaminski: *Methods for estimating market power in the energy sector*, Polityka Energetyczna, Volume 12, Paper 2/2, 2009).

Figure 20. Concentration level in generation subsector and market shares of largest entities by volume of electricity fed into the grid, in 2007-2020



Source: Data of the Ministry of Climate and Environment and URE.

With reference to the data presented above regarding concentration, it should be noted that these indices changed so significantly in 2017 due to organizational changes in the generation sector, that is taking over by two groups – PGE Polska Grupa Energetyczna S.A. and ENEA S.A. of generation assets of other groups, that is EDF and ENGIE Energia Polska, respectively. In 2020 the decrease in the concentration index in comparison to previous years was influenced mainly by an increase in electricity production from small, dispersed renewable energy sources in the national mix of energy production.

Sales of electricity in respective market segments

The structure and mechanisms of market operation do not differ from the corresponding structures and mechanisms, which formed in a majority of other European states deemed competitive markets. Market participants have, on a non-discriminatory basis, wide access to various forms of electricity sales and access to information on volumes and prices at which electricity is contracted and sold on a wholesale market.

The tables below present the forms of electricity purchase and sales in segments of generation and trading in the years 2019-2020.

Table 14. Forms of electricity sales by generators in 2019-2020 [TWh]

Year	Trading companies	Regulated markets, including power exchange	Balancing market	Exports	Final customers	Other sales*
2019**	55.0	82.9	10.7	0.0	2.0	1.8
2020	30.7	106.3	9.9	0.4	1.8	2.6

* Other sales include volumes of electricity sold to TSO and DSOs as well as sales to small local distributors.

** The data were changed compared to the data in the National Report of the President of Energy Regulatory Office for 2019 due to the correction of the data by the surveyed entities.

Source: Data of the Ministry of Climate and Environment and URE.

Table 15. Forms of electricity sales by trading companies in 2019-2020 [TWh]

Year	Trading companies	Regulated markets, including power exchange	Balancing market	Exports	Final customers	Other sales*
2019**	122.71	103.5	7.4	2.4	127.2	17.8
2020	110.51	96.5	7.4	1.5	127.0	28.0

* Other sales include volumes of electricity sold to TSO and DSO as well as sales to small local distributors.

** The data were changed compared to the data in the National Report of the President of Energy Regulatory Office for 2019 due to the correction of the data by the surveyed entities.

Source: Data of the Ministry of Climate and Environment and URE.

Trade in electricity on the domestic wholesale market is carried out under bilateral contracts (OTC market), on the organized market run by TGE S.A. (energy exchange) and through brokerage platforms.

As of 1 January 2019⁵⁴⁾ the obligation to sell electricity through public trading referred to in Article 49a para. 1 of the Energy Law Act was increased to 100%, which resulted in a significant increase in the volume of sales of generators through the energy exchange.

In 2020, both generators and trading companies sold part of their electricity to trading companies of their own group.

Purchase of electricity in respective market segments

The tables below present forms of electricity purchase in segments of generation and trading in the years 2019-2020.

Table 16. Forms of electricity purchase by generators in 2019-2020 [TWh]

Year	Trading companies	Regulated markets, including power exchange	Balancing market	Imports	Other purchase directions
2019	3.1	16.8	12.2	0.6	0.1
2020	8.4	20.5	10.8	0.7	0.2

Source: Data of the Ministry of Climate and Environment and URE.

⁵⁴⁾ This obligation was introduced by the Act of 9 November 2018 amending the Energy Law Act and certain other acts (JoL of 2018, item 2348, as amended, hereinafter the Act of 9 November 2018) and is effective as of 1 January 2019.

Table 17. Forms of electricity purchase by trading companies in 2019-2020 [TWh]

Year	Professional power plants	Trading companies	Regulated markets, including power exchange	Balancing market	Imports	Other purchase directions	Obliged seller*
2019	78,7	120,8	174,1	2,1	6,1	1,1	0,6
2020	54,8	111,6	193,3	4,7	4,9	1,3	0,3

* Obliged seller – includes the purchase of electricity from a micro-installation other than a prosumer and from a non micro-installation.

Source: Data of the Ministry of Climate and Environment and URE.

3.2.1.1. Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

The prices of electricity delivered in 2020 are illustrated by three price indices published by the President of URE, that is the annual and quarterly average selling price of electricity on the competitive market and the quarterly average selling price of electricity on terms other than those provided for in Article 49a para. 1 and 2 of the Energy Law Act.

On the basis of surveys submitted by electricity producers and trading companies, as well as from reports of public statistics and data from power exchange, information on, among others, the average annual prices of electricity sales on the competitive market, and average quarterly prices of electricity sales on competitive market, as well as average quarterly prices of electricity sold under other rules than sale on TGE S.A. are calculated and published.

Average annual price of electricity sales on the competitive market and the method for its calculation

In 2020, the average annual price of sales of electricity on the competitive market was 252.69 PLN/MWh. This price was by 5.0% lower than the weighted-average price of an annual contract for baseload delivery on the CFIM market in 2020 (BASE_Y-20) which amounted to 265.38 PLN/MWh) and by 8.2% higher than the weighted-average price of an annual contract for baseload delivery in 2021 (BASE_Y-21) on the CFIM market, which in the contracts concluded in 2020 was at the level of 231.87 PLN/MWh.

The algorithm for calculating the average annual selling price of electricity on the competitive market is the following:

$$C = \frac{\sum_{i=1}^n P o_i + \sum_{j=1}^m P g_j}{\sum_{i=1}^n E o_i + \sum_{j=1}^m E g_j} \times 1000$$

where:

- C – average sales price of electricity on the competitive market [PLN/MWh],
- Po – revenues from electricity sales: generators⁵⁵⁾ to trading companies outside the group and trading companies⁵⁶⁾ to trading companies outside the group in direct contracts [in PLN thousand],
- Eo – volume of electricity sold: generators⁵⁵⁾ to trading companies outside the group and trading companies⁵⁶⁾ to trading companies outside the group in direct contracts [MWh],
- n – number of audited companies submitting report G-10.1 k and G-10.4(Ob)k,
- Pg – revenues from the sale of electricity (supplied in 2020) realized by the participants of TGE S.A. [PLN thousand],
- Eg – volume of electricity sold (supplied in 2020) by participants of TGE S.A. [MWh],
- m – number of companies selling on TGE S.A.

⁵⁵⁾ Heat power plants and CHP plants were examined, that is technically and territorially separate facilities that are independent enterprises or part of power plant or CHP plant complexes, classified, according to PKD 2007, in groups 35.1 and 35.3, submitting report G-10.1 k *Report on the activity of a commercial heat power plant*

⁵⁶⁾ Electricity trading companies submitting report G-10.4(Ob)k *Electricity trading company report* were examined.

Average quarterly price of electricity sales on the competitive market and the method for its calculation

The algorithm for calculating the average quarterly selling price of electricity on the competitive market is the same as in the case of the average annual selling price of electricity on the competitive market.

The Table below shows average quarterly prices of electricity sales on the competitive market in 2020.

Table 18. Average quarterly prices of electricity sales on the competitive market in 2020

Quarter	Average quarterly price of electricity sales on the competitive market [PLN/MWh]	Volume of electricity sold on the competitive market [TWh]
I	250.90	57.06
II	245.36	57.84
III	257.98	58.70
IV	256.22	62.78

Source: Data of TGE S.A., Ministry of Climate and Environment and URE.

The components of the average quarterly electricity sales prices on the competitive market in 2020 are the volumes and values of electricity sold at TGE S.A. and sold on the OTC market, and they do not include intra-group contracts.

Both components for the quarters of 2020 are presented in the tables below.

Table 19. Average quarterly prices of electricity sales on TGE in 2020

Quarter	Average quarterly price of electricity sales on TGE [PLN/MWh]	Volume of electricity sold on TGE [TWh]
I	251.19	53.55
II	245.36	55.40
III	257.89	56.42
IV	257.10	59.05

Source: Data of TGE S.A.

Table 20. Average quarterly prices of electricity sales on OTC market in 2020

Quarter	Average quarterly price of electricity sales on OTC market [PLN/MWh]	Volume of electricity sold on OTC market [TWh]
I	246.55	3.51
II	245.39	2.44
III	260.23	2.28
IV	242.19	3.73

Source: Data of the Ministry of Climate and Environment and URE.

Relating the average quarterly price of electricity sales on the competitive market in 2020 to the exchange market operated by TGE S.A., it should be stated that this price is similar to the quarterly prices on the exchange market. The algorithm adopted at URE for price calculation to a great extent takes into account volumes of electricity sold on the power exchange, which allows electricity wholesale market participants to estimate its level in close approximation even before official publication of this price by the President of URE.

In addition, it should be noted that the OTC market contracts at prices similar to those achieved on TGE S.A.

Average quarterly price of electricity which is not subject to the public sale obligation

The volumes and average quarterly price of electricity sold under rules other than those determined in Article 49a para. 1 of the Energy Law Act⁵⁷⁾, in respective quarters of 2020, are presented in the Table below:

Table 21. Volumes and average quarterly prices of electricity sold under the rules other than those stipulated in Article 49a para. 1 of the Energy Law Act in 2020

Quarter	Average quarterly price of electricity sold under rules other than those determined in Article 49a para. 1 of the Energy Law Act* [PLN/MWh]	Volume of electricity sold under rules other than those determined in Article 49a para. 1 of the Energy Law Act [TWh]
I	235.44	10.12
II	239.77	7.27
III	253.48	6.47
IV	247.48	9.48

* The price does not include taxes (VAT, excise tax), charges not related to the volume of sold electricity or obligations related to certificates of origin.

Source: URE, on the basis of data provided by electricity generators for particular quarters of 2020.

The quarterly prices⁵⁸⁾ referred to above were set on the basis of data⁵⁹⁾ concerning performance of contracts on electricity sales to trading companies, concluded by energy companies generating electricity, obliged to sell part of generated electricity in the manner specified in Article 49a para. 1 of the Energy Law Act.

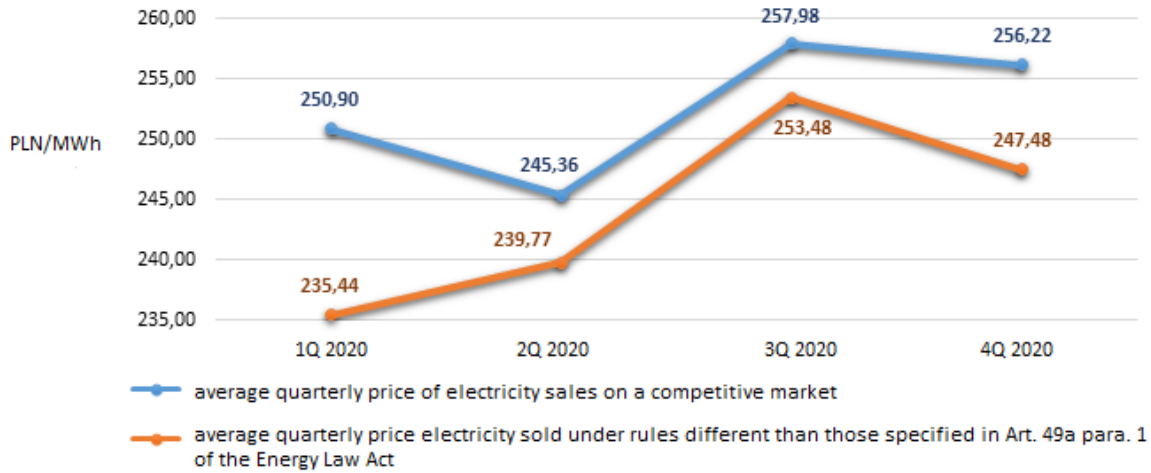
The figure below shows a comparison of average quarterly price of electricity sold under rules different than those specified in Article 49a para. 1 of the Energy Law Act with an average quarterly price of electricity sales on a competitive market in particular quarters of 2020.

⁵⁷⁾ Article 49a para. 1 of the Energy Law Act specifies the obligation for electricity generators with respect to sale of electricity in the manner ensuring public access to it (power exchange obligation).

⁵⁸⁾ Information on annual and quarterly prices may be found on the URE's website at: <https://www.ure.gov.pl/pl/energia-elektryczna/ceny-wskazniki/7851,Srednia-kwartalna-cena-energii-elektrycznej-sprzedanej-na-zasadach-innych-niz-wy.html>

⁵⁹⁾ Data provided by generators in accordance with the call published on the URE's website at: <https://www.ure.gov.pl/pl/biznes/obowiazki-sprawozdawcze/energia-elektryczna/8241,Prezes-URE-wzywa-wytworcow-energii-elektrycznej-do-cyklicznego-skladania-informa.html>

Figure 21. Average quarterly prices of electricity sold under rules different than those specified in Article 49a para. 1 of the Energy Law Act and average quarterly prices of electricity sales on a competitive market in 2020

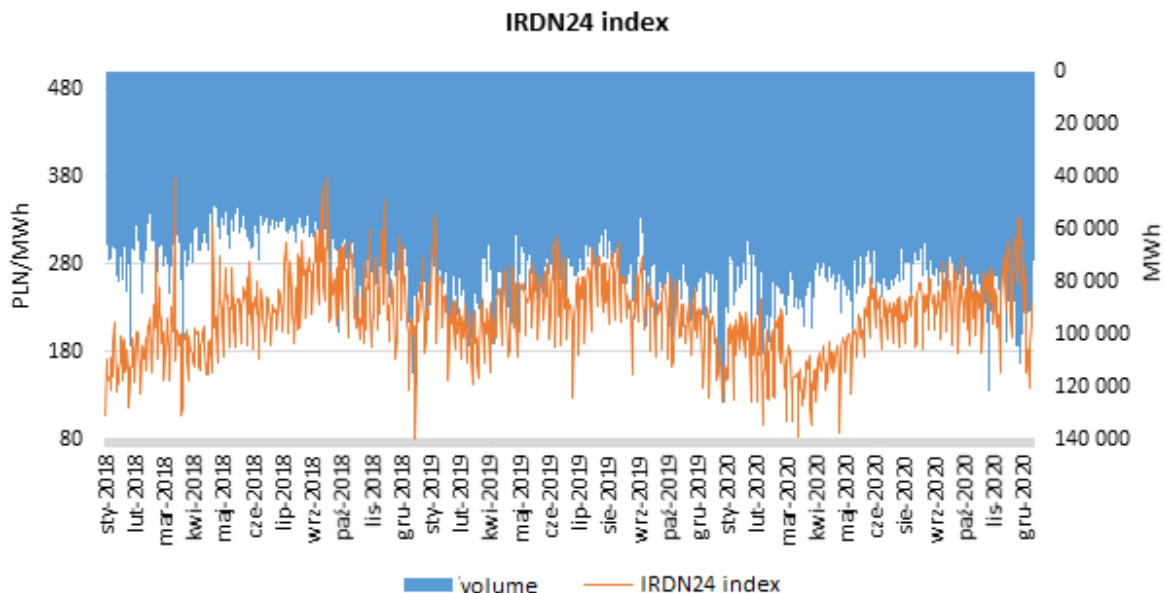


Source: URE's own analysis

Prices on SPOT market of TGE S.A.

The below figure presents development of electricity prices on the spot market – DAM, managed by TGE S.A., measured with the IRDN24 index. This index shows arithmetic average price of all transactions, except for block contracts, of DAM trading session, calculated after the supply date for the entire 24 hours.

Figure 22. Average daily electricity price in SPOT transactions, measured by IRDN24 [PLN/MWh], and volume of electricity traded on DAM market (without block contracts) [MWh] in particular months of the years



Horizontal axis: January 2018, February 2018, March 2018, April 2018, May 2018, June 2018, July 2018, September 2018, October 2018, November 2018, December 2018, January 2019, February 2019, April 2019, May 2019, June 2019, July 2019, August 2019, September 2019, October 2019, December 2019, January 2020, February 2020, March 2020, April 2020, May 2020, June 2020, August 2020, September 2020, October 2020, November 2020, December 2020

Source: URE, on the basis of data provided by TGE S.A.

Volume-weighted average price of electricity on DAM in 2020 amounted to 210.11 PLN/MWh and was lower by 19.51 PLN/MWh in comparison to 2019 when this price was 229.62 PLN/MWh.

Prices of electricity sold on TGE S.A.

In 2020 a decrease in electricity prices on commodity forward instruments market run by TGE S.A. was observed, which was reflected by the y/y decrease of prices in BASE_Y forward contracts (yearly contract with baseload delivery for another year). The volume-weighted average transaction price of BASE_Y-21 contract in the entire year 2020 was at the level of 231.87 PLN/MWh, in comparison to 2019, when the volume weighted average transaction price of the corresponding BASE_Y-20 forward contracts amounted to 266.40 PLN/MWh.

At the same time, average monthly price of BASE_Y-21 contracts concluded in December 2020 was equal to 235.30 PLN/MWh, whereas the monthly average price of corresponding contracts (BASE_Y-20) concluded in December 2019 amounted to 242.14 PLN/MWh, which indicates a decrease of the price of these contracts by around 3%, which may be caused, among other things, by the revenues from the capacity market for electricity generators planned in 2021, more than covering the planned fixed costs of electricity generation.

Transparency of the wholesale energy market – fulfilment of obligations under the REMIT Regulation

Participants of the wholesale energy market, pursuant to the provisions of the REMIT regulation, are subject to the prohibition of manipulation or attempts to manipulate the market, as well as conducting trade based on inside information.

Register of market participants

As part of its REMIT obligations, URE registers Polish energy market participants through the Centralized European Register of Energy Market Participants (CEREMP) prepared by ACER.

At the end of 2020, 689 market participants from Poland were registered in the CEREMP system (approximately 4.4% of all registered entities). The increase in registered market participants from Poland in 2020 compared to 2019 was 6%.

Reporting data to ACER

Reporting of data to ACER is preceded by the obligation to register market participants in the national register of these participants. Wholesale energy market participants report information on concluded transactions and orders to trade through entities that have been granted the status of the so-called Registered Reporting Mechanism (RRM) by ACER. At the end of 2020 in Poland, these were the same 4 entities with RRM status as in 2019, that is: TGE S.A., OGP Gaz-System S.A., PSE S.A. and PGE Dom Maklerski S.A.

Publication of inside information

In 2020, inside information was published by market participants on their websites as well as through ACER-registered Inside Information Platforms (IIPs).

In 2020, on the ACER list published on the REMIT PORTAL⁶⁰⁾, entities applying for the status of their platforms as IIPs and entities whose platforms passed at least the first stage of ACER evaluation included TGE S.A., which operates the Exchange Information Platform (GPI)⁶¹⁾ with regard to the wholesale

⁶⁰⁾ <https://www.acer-remit.eu/portal/list-inside-platforms>

⁶¹⁾ Gieldowa Platforma Informacyjna (GPI) has been operational since 27 February 2014 and has been created in cooperation with representatives of the entire power sector, under the patronage of the President of URE.

electricity market, and OGP Gaz-System S.A., which operates a platform with regard to the wholesale gas market – Gas Inside Information Platform (GIIP).

Obligations of persons professionally arranging transactions

A special role in the process of detecting irregularities arising from the REMIT regulation rests with persons professionally arranging transactions (PPATs) on energy wholesale market that are required to create and maintain effective mechanisms and procedures to identify cases of violation of the prohibition of use of inside information and the prohibition of market manipulation. In 2020, activities recognized as the activity proper to PPATs were actively conducted by three entities: TGE S.A., PSE S.A. and OGP Gaz-System S.A. These entities are obliged to notify the President of URE if they have reasonable grounds to suspect that a given transaction on the wholesale energy market may constitute a breach of the prohibitions of manipulation or illegal use of inside information. In addition, the above mentioned entities conduct periodic trainings for market participants in order to update the implemented principles of monitoring the wholesale energy market aimed at detecting and preventing abuses defined in the REMIT Regulation.

In 2020, Polish PPATs did not report any suspected breach of the REMIT Regulation to the President of URE.

Table 22. Categories of entities resulting from the REMIT Regulation

item	Status as at the end of 2020	European Union	Poland
1	Market participants registered with CEREMP	15,587	689
2	RRMs	118	4
3	Entities applying to ACER for IIP status and entities having passed at least the first stage of ACER* evaluation as IIP	20	2
4	PPATs	No current data	3

* Except for Central Transparency Platforms

Source: ACER website – REMIT PORTAL.

Cooperation of the President of URE with other regulatory authorities and ACER with regard to the implementation of obligations under the REMIT Regulation

In 2020, representatives of the President of URE participated in ACER working groups where the issues of the manner of conducting supervision of the wholesale energy market were discussed, including, among others, the fees paid to the Agency for the collection, processing and analysis by ACER of information reported by wholesale market players, the obligation to effectively and timely disclose inside information to the public, the entry into force of new rules for the validation of data reported by market participants, the proposal to amend the ACER guidelines to clarify the definitions contained in the REMIT Regulation.

Communication with wholesale energy market participants

The most important information related to the REMIT Regulation has been published on the URE's website⁶²). Market players may also send their questions about performance of obligations arising from the above mentioned Regulation and from secondary legislation on registration of market participants in the national register of market participants, to the URE's dedicated e-mail address⁶³). ACER runs a REMIT Portal dedicated to any issues included in the REMIT Regulation on its website.

⁶²) <https://www.ure.gov.pl/pl/urzed/prawo/prawo-wspolnotowe/remit/aktualnosci-remit>

⁶³) REMIT.rejestracja@ure.gov.pl

Explanatory proceedings

In 2020 the President of URE conducted 4 explanatory proceedings in cases of suspected market manipulation/attempted market manipulation or unlawful use of inside information on the wholesale energy market, ordered pursuant to Article 23p para. 1 of the Energy Law Act. Three of the above proceedings were ordered in 2019 and one in 2020. Two of the aforementioned proceedings were concluded with the filing by the President of URE in 2020 a notice of suspicion of an offence and two were closed. As a result of the above two notices of suspicion of an offence filed, the Prosecutor's Office in 2020 initiated an investigation.

Pursuant to Article 23p para. 6 and 8 of the Energy Law Act, upon completion of the explanatory proceedings, the President of URE shall submit a notice of suspicion of an offence, initiate a REMIT inspection or order closure of the proceedings. Closing the proceedings does not prevent from conducting it again for the same act, unless the statute of limitations for punishability of the offence has expired.

By a decision of 30 December 2020, the proceedings were discontinued for the market manipulation in the period from 3 September 2018 to 31 December 2018 through transactions of sale and purchase of the energy product called BASE_Y-19, initiated by a decision of the Prosecutor of 12 August 2019, as a result of the submission of a notice of suspicion of a criminal offence by the President of URE on 29 May 2019. The President of URE, by letter dated 13 January 2021, filed a complaint against the above order.

In addition, through ACER's online platform for reporting violations of the REMIT Regulation (Notification Platform⁶⁴), foreign entities submitted notifications on suspected manipulation/attempted manipulation of the wholesale energy market by Polish entities. The President of URE received 3 such cases in 2020. Due to the complex and multidimensional nature of such cases and the need to cooperate with ACER, regulators and PPAT's of other countries, these cases require several months of analysis and collection of a certain amount of evidence.

Notwithstanding the above, in 2020 the President of URE analyzed several more cases of suspected market manipulation or unlawful insider trading reported directly to the President of URE by Polish energy market participants.

For the above-mentioned cases, by the end of 2020, no grounds were found for ordering, pursuant to Article 23p para. 1 of the Energy Law Act, explanatory proceedings on market manipulation or attempted market manipulation, as defined in Article 2 of the REMIT Regulation, or for conducting a REMIT inspection, as referred to in Article 23c para. 1 of the Energy Law Act.

The President of URE, using limited resources, also performs periodical monitoring of the wholesale electricity market, including monitoring of components which affect the level of electricity prices, such as prices of CO₂ emission allowances and coal prices. In particular, the President of URE examines the level of the Clean Dark Spread (CDS)⁶⁵.

Administrative penalty proceedings

In 2020, two administrative proceedings were conducted to impose a financial penalty under Article 56 para. 1 of the Energy Law Act for selling energy products on the wholesale energy market without the required entry in the national register of market participants (item 42). In one case the President of URE waived the penalty in 2020, while the other proceeding was not completed in 2020.

3.2.2. Retail market

In 2020, out of almost 18 million customers in the retail market, around 88% were customers who purchase energy for household consumption (data based on a survey conducted by the President of URE among 37 DSOs). The remaining group of final customers were customers belonging to tariff groups A, B and C. Groups A and B consist of customers supplied from the high and medium voltage grid and

⁶⁴ <https://www.acer-remit.eu/np/home>

⁶⁵ $CDS = CEE - (CP + CCO_2)$, where: CDS – Clean Dark Spread index; CEE – net electricity price in PLN/MWh; CP – coal price converted to production cost of 1 MWh of net electricity from hard coal in PLN/MWh; CCO₂ – CO₂ emission allowance price converted to production cost of 1 MWh of net electricity in PLN/MWh.

are the so-called industrial customers from groups A and B, while group C includes customers connected to the low voltage grid, who use electricity for business purposes, the so-called business (commercial) customers. Electricity customers have the right to receive electricity in an uninterrupted and reliable manner from the electricity supplier of their choice.

In the retail electricity market, there were five large DSOs (so-called DSOp), subject to the obligation of legal unbundling, whose networks are directly connected to the transmission network, and 178 undertakings designated as DSOs (so-called DSO_n), whose networks have no direct connections with the transmission network. In the case of DSOs operating within the structures of vertically integrated enterprises, accounting and bookkeeping separation is required by law, as well as the obligation to separate the distribution activity conducted by the system operator from other activities not related to electricity distribution – organizational unbundling.

In the segment of electricity sales to final customers, the largest share is still held by so-called incumbent suppliers, acting as default suppliers for household customers who have not decided to choose another supplier. In 2020, there were six⁶⁶⁾ suppliers of last resort selling electricity to households under public obligation and market sales (with freely determined prices) to households and other customer groups. The second group consisted of suppliers in vertically integrated entities that were also distribution system operators (178 in 2020) and the third group consisted of independent electricity suppliers – entities not related to distribution activity in Poland.

With respect to institutional customers, suppliers are not required to submit electricity tariffs to the President of URE for approval, while tariffs for household customers are approved only at the request of the default supplier and with respect to those customers who choose not to change their supplier (sales under public law obligation). However, default sellers may – in addition to selling energy at the prices and rates set in the tariff – present a market offer to all customers, including all household customers, with a freely shaped price. In the case of household customers connected to the network of an operator on whose territory suppliers perform tasks of default suppliers, the choice of tariff or market offer depends on the customer.

3.2.2.1. Monitoring prices, market transparency and market opening to competition

All electricity suppliers selling electricity to final customers are legally obliged to publish on their websites and make information on electricity sales and terms and conditions of their application publicly available in their premises. In case of large industrial/commercial customers, offers are presented individually by trading companies. Prices and other terms and conditions of the agreement are each time negotiated with the contractor and are different, depending on delivery time, volume and firmness of off-take. In 2020, after a one-year freeze in electricity prices (2019)⁶⁷⁾, there were significant increases in these prices, especially in the group of customers connected to low voltage networks. The price level in 2020, in addition to rising coal prices and the high cost of CO₂ emission allowances, was also influenced by the reduction in demand for energy in the system, due to the COVID-19 epidemic outbreak, through an increase in fixed costs per unit of energy.

Average electricity sale prices broken down by electricity consumption are presented in the Table below.

Table 23. Number of customers, volume, value and average prices of electricity applied to final customers, broken down by consumption

Consumption	Number of customers [items]	Volume [MWh]	Value [PLN thousand]	Average price [PLN/MWh]
< 50 MWh	17,629,190	46,266,977	14,859,298	321.16
50-2,000 MWh	140,180	30,421,372	9,702,500	318.94
> 2,000 MWh	1,247	32,746,883	9,136,922	279.02
Total	17,670,617	109,435,232	33,698,720	307.93

Source: On the basis of quarterly surveys of default suppliers in 2020

⁶⁶⁾ The territory of the distribution system operator TAURON Dystrybucja is divided between 2 suppliers from the TAURON Group acting as default suppliers: TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o.

⁶⁷⁾ Act of 28 December 2018 amending the Excise Duty Act and certain other acts (JoL of 2018, item 2538).

The table below presents data on electricity prices and distribution fees in Q4 2019 and 2020, for customers with comprehensive contracts. The maximum year-on-year increase in the price of energy (it amounted to nearly 23%) took place in tariff group C, slightly smaller (about 22.5%) was in the household group. Ultimately, the cost of electricity supply did not increase so significantly, as the strong increase in energy prices was mitigated by a slight increase in the level of distribution fees (in the household group it amounted to 3.29%, and the highest – 7.45% – concerned tariff group C). At the same time, it is worth mentioning that the increase in distribution charges in 2020 occurred after their decrease in the previous year and in some tariff groups (A and G) still remained at a lower level than in 2019. Finally, from the customer's point of view, the level of the average price at which they purchase electricity at the collection point (that is including the distribution service) is important. The value of this parameter increased on average by 13.35%, the least (by 4%) in the group of the largest energy customers, and the most (by just over 16%) in tariff group C.

Table 24. Electricity prices and distribution fees applicable to customers with comprehensive contracts

Specification	Q4 2019			Q4 2020		
	Average sales price	including:		Average sales price	including:	
		Fee for electricity	Distribution fee		Fee for electricity	Distribution fee
[PLN/MWh]						
Customers in total	477.00	277.90	199.00	540.70	332.10	208.60
including: customers on HV (group A)	325.20	266.20	59.00	338.20	278.60	59.68
customers on MV (group B)	395.00	284.10	110.90	444.50	328.70	115.79
customers on LV (group C)	600.30	338.50	261.70	697.40	416.10	281.20
Customers of group G	485.50	255.30	230.20	547.10	310.70	236.40
including: households	481.60	253.70	228.00	546.20	310.70	235.50

Source: URE on the basis of data of the Ministry of Climate and Environment.

For suppliers offering energy to household customers, the regulator continued in 2020 to publish a summary of offers, including prices, fee rates and information on the area of validity of such offer. In this compilation, at the end of 2020, offers for households were presented by 27 electricity suppliers active in this segment.

Due to technical and organizational wear and tear, after nearly 10 years of operation and after a period of temporary suspension of its activities, the offer comparison tool on the URE website – Price Energy Online Calculator, which enabled household customers to compare and choose the most advantageous offer, was closed. In 2020, work was underway on the concept of a new tool to meet the challenges posed by Directive 2019/944 on requirements for comparison offer engines in the EU Member States. A specification was prepared, but due to the inability to finance the new comparison engine, further work was put on hold.

In addition, a list of suppliers operating in the territory of the DSO to whose network the customer is connected, published on the website, is a great convenience for the customer making the choice of supplier.

Supplier switching

The total volume of electricity supplied in 2020 to final customers under market conditions, that is after the use of the TPA rule, amounted to 71,660,149 MWh, i.e. 51.29% of the total energy supplied to final customers. Compared to 2019, the volume of energy supplied to customers exercising the seller selection right increased by 632,384 MWh, and the share of this energy in the total energy supplied to customers increased by 1.76 percentage points in this period (in 2019 it was 49.53%). The amount of energy supplied to TPA customers in 2020 was comparable to that supplied to this group of customers in 2019 (increase by 0.89%). On the other hand, the data obtained shows that in 2020, the number of customers exercising the right to choose a seller increased by 4.75% compared to 2019, while in

the group of institutional customers (tariff groups A, B and C) this change amounted to 3.80%, and in tariff group G (including households) it was an increase by 5.05%.

The data obtained from the monitoring of the President of URE show that as at 31 December 2020, 63% of electricity customers in households bought energy under contracts with approved tariffs, while the remaining (37%) bought energy with prices resulting from market offers.

In 2020, the possibility to purchase energy with a dynamic price was not widely offered in Poland, but legislative and organizational work was in progress to prepare for the implementation of contracts with the so-called dynamic price.

Interventions

In 2020, the President of URE was asked to intervene in cases concerning unfair practices of trading companies. As in previous years, it was common practice for suppliers not to inform customers about all elements of the offer, for instance about additional fees (trade fee) or to mislead them, which resulted in customers concluding contracts unfavourable to them. The President of URE, not being an authority relevant for such cases, nevertheless informs customers about their rights. Actions taken by suppliers often bear the hallmarks of practices that infringe the collective interests of consumers by violating the obligation to provide consumers with reliable, truthful and complete information and by using unfair market practices or acts of unfair competition. In 2020, as in previous years, the President of URE, in accordance with its competence, forwarded to the President of UOKiK letters from customers which may indicate illegal activities of suppliers' representatives. In addition, the President of URE received complaints about non-compliance by energy companies conducting business activity in the field of trade in electricity with the provisions of the Electricity Pricing Act (this act froze energy prices for 2019, with settlements continuing in 2020), which notified about actions or omissions by electricity suppliers not complying with the Act.

In connection with the problems reported by market participants to the URE concerning the launch and servicing of back-up sales to final customers, in 2020 the President of URE continued the cyclical monitoring of the retail market in this respect. The scope of the survey included information on (i) suppliers which offered last resort supply to final customers connected to the network of DSOs (ii) final customers for which the operator launched back-up supply and/or a designated supplier provided back-up supply and (iii) last resort suppliers designated by final customers in electricity distribution services contracts or comprehensive contracts. The results of this survey will be used in the current work of the URE, for instance to develop appropriate solutions and to indicate to the operators the necessary actions to be taken. A summary of the survey was also submitted to the President of UOKiK for possible use.

Smart metering

In 2020 DSOs continued their efforts towards full implementation of smart metering among final customers and the use of smart metering in Poland is steadily increasing. At the end of 2020, the share of smart metering systems (understood as metering systems enabling automatic collection, storage and transfer of detailed data on electricity consumption) in individual tariff groups was, respectively: for tariff group A – 59.56%, for tariff group B – 72.57%, for tariff group C – 26.30%, for tariff group G – 10.45%. In total, in all customer groups, the percentage of smart metering systems in relation to the total number of these devices was 11,31% at the end of 2020. Further intensive development of smart metering systems, aiming at the implementation of these solutions for 80% of customers by 2028, is provided for in the government's strategic document on Poland's energy policy and in the Energy Law Act.

Suspension of energy supplies

The year 2020, in which the COVID-19 epidemic outbreak took place, brought a modification of the provisions on the suspension of electricity supply. For the duration of the epidemic, energy companies conducting business activity in the transmission or distribution of gaseous fuels or energy could not, among others, suspend the supply of electricity in the event that the customer did not consent to the installation of a prepayment measurement and settlement system, or suspend the supply of

gaseous fuels or electricity (on their own initiative or at the supplier's request) in the event that the customer was in arrears with payment for services provided. Originally, the provision applied to all customers, later the group of customers who can benefit from preferential treatment was limited to households and those entrepreneurs who, due to lack of business opportunities, lost income and could not pay their dues. The functioning of the new regulation has been temporarily limited to 6 months from the date of declaring an epidemic emergency or a state of epidemics.

In spite of the above limitation, supplies were suspended in 2020 and, according to the data obtained from the monitoring carried out by the President of URE among the five largest DSOs in Poland, supplies were suspended to 119,107 electricity customers in 2020, including 88,948 household customers. The most common reason for the suspension of supplies was delay in payment for services provided, for at least 30 days after the payment deadline (and after a written notification to the energy customer of the intention to suspend the supply of electricity and setting an additional 14-day deadline for payment of overdue and current receivables). Payment arrears were the reason for 95.14% of the cases of suspension of supplies to customers in the group of households and 97.68% of these cases in the group of institutional customers.

It should be added that the procedure of suspending electricity supply to household customers with arrears in payment for the electricity consumed and services provided, counted in business days from the moment when the supplier provided the customer with information on arrears until the moment of withholding the supply by the DSO, was on average about 26 days in 2020.

Prepayment meters

The electricity company may, in accordance with the applicable law, install a so-called prepayment meter at a final customer having difficulties with timely payment of bills. In 2020, in the Polish power system 194,339 customers in households and 2,652 customers in tariff group C used prepayment meters.

Ensuring access to data on energy consumption by customers

Pursuant to the provisions of the Energy Law Act, electricity suppliers are obliged to inform their customers about the amount of electricity consumed by these customers in the previous year and about the place where information about the average consumption of electricity for a given tariff group which these customers used is available, as well as about energy efficiency improvement measures and energy-efficient technical equipment.

In addition, an energy company providing an energy distribution service or an energy supplier which provides a comprehensive service, when issuing an invoice to the customer, should provide information on, among others, the following, in a billing attached to the invoice:

- the amount of electricity consumption in the settlement period on the basis of which the amount due was calculated,
- the manner in which the metering and settlement system was read, whether it was a physical or remote reading performed by an authorized representative of the electricity company or a reading performed and reported by a customer,
- the manner of determining the amount of electricity consumption in a situation when the settlement period is longer than one month and when the first or last day of the settlement period does not coincide with the dates of readings of the metering and billing system, or when during the settlement period there has been a change in prices or fee rates, or about the place where this information is available,
- the time allowed for interruptions in the supply of electricity.

3.2.2.2 Consumer protection and disputes settlement

Disputes settlement

Pursuant to Article 8 of the Energy Law Act, the President of URE resolves disputes concerning refusal to conclude a grid connection agreement, including those related to increasing connection capacity, sale agreement, agreement to provide transmission or distribution services for fuels or energy, agreement to provide natural gas transport services, agreement to provide storage services for gas fuels, agreement referred to in Article 4c para. 3, agreement to provide services for liquefaction of natural gas and a comprehensive agreement, as well as in the event of an unjustified suspension of gaseous fuels or energy supply, refusal to connect a renewable energy installation in the first place, refusal to connect a microinstallation, failure to connect a microinstallation despite the expiry of the deadline referred to in Article 7 para. 8d⁷ item 2, unjustified limitation of operation, disconnection of a microinstallation from the network or a refusal to include an amendment referred to in Article 7 para. 2a in the agreement with respect to the date of the first supply to the grid. This is one of the exceptions giving the President of URE a prerogative to interfere with civil law relations of entities.

Since May 2017 the Coordinator for Negotiations has been operating with the President of URE. The Coordinator's tasks include conducting proceedings on out of court resolution of disputes between consumers of gaseous fuels, electricity or heat in households and energy undertakings, or between renewable energy prosumers that are consumers and energy undertakings, arisen under agreements:

- 1) on connection to the electricity, gas or heat grid, including connection of a microinstallation,
- 2) on provision of services of transmission or distribution of electricity or natural gas,
- 3) on provision of services of transmission and distribution of heat,
- 4) on sales,
- 5) comprehensive agreements.

In addition, there are Municipal and District Consumer Ombudsmen in Poland, to whom customers can complain in individual cases, including the energy-related cases. The competences of Customer Ombudsmen comprise, among others, providing free of charge customer advice and legal advice on the protection of consumer interests, bringing proceedings for the consumers and joining the ongoing proceedings on the protection of consumer interests upon the consumer consent.

Processing complaints

Complaints against energy companies reported to URE by household customers are processed by individual organizational units of URE. The range of issues raised by customers in 2020 was very wide and the complaints were often multithreaded. In 2020 the President of URE undertook actions aimed at clarifying the issues covered by the submitted complaints, which concerned such areas as:

- **contracts and sales**
complaints reported by customers in this category mainly concerned the performance of contracts, problems with contract termination and penalty charges, qualification for the relevant tariff group. Customers also reported irregularities related to the contracting process, in particular the problem of customer service agents (salespeople) failing to provide the consumer with full information on the costs involved when making an offer,
- **invoice/bills issued and debt recovery**
customers reported problems related to the correctness of settlement,
- **unfair market practices**
customers reported on the activities of electricity suppliers which, in the so-called door-to-door formula (sale outside the company's premises) – acting also through specialized agencies and sales representatives (sellers) – in order to conclude agreements with customers, did the following, among others:
 - failed to provide the customers with the name of the supplier, or were misleading as to the name of the supplier (they were claiming to be employees of other entities);
 - misled customers by informing them of the obligation to sign new contracts, annexes to contracts or other documents related to the supply of electricity and gave false reasons for this obligation (for instance, planned cessation of the supply of gaseous fuels or electricity by an existing supplier, or change of data of an existing supplier);

- failed to inform customers about the change of supplier and the rights and obligations resulting from this procedure.

At the same time, the continuing COVID-19 epidemic in 2020 and the related restrictions introduced affected, among others, the activity of energy companies (sellers), significantly limiting the sellers' acquisition activity. Therefore, notifications to the URE were mainly related to misleading information when concluding a sales contract with a new supplier and most often concerned situations occurring in 2019,

- [connection to the grid](#)
complaints in this category mainly concerned the term for the performance of the grid connection agreement,
- [metering](#)
customers reported problems with the operation of measuring systems, which directly affected the settlements,
- [quality of supply](#)
customers complained about the failure to meet energy quality parameters,
- [customer service](#)
in this category, complaints most often concerned the timeliness of response to complaints, problems with establishing telephone contact with the company (complaints made by phone),
- [supplier switching](#)
customers complained about problems with the entry into force of the new contract after the change of supplier,
- [suspension of supplies due to non- or late payment](#)
in this category, customers complained about the companies' failure to comply with the procedure of suspension of supply, in particular the failure to inform the household customer of their intention to suspend supply,
- [prosumers](#)
the notifications from prosumers mainly concerned problems related to grid connection, contract conclusion and settlement. In the context of concluding a contract with an obliged seller, prosumers reported a problem consisting in the charging of a fee for early termination of the contract with the previous supplier.

Protection of justified customers' interests

The COVID-19 epidemic prevailing in 2020 and the related restrictions introduced affected, among others, the activity of energy companies (sellers) by limiting the work of their sales representatives who offer to conclude off-premises contracts, which directly translated into a lower number of notifications sent by customers to the URE, compared to previous years, including those concerning unfair market practices.

In 2020, consumers mainly reported irregularities related to the contracting process, in particular they signalled the problem of employees of customer service offices of individual energy companies (suppliers) failing to provide full information on costs when making an offer to the consumer before concluding the contract. Customers' reports on the practices of sales representatives in the context of supplier switching, mainly related to being misled when concluding an energy sales contract with a new supplier, were few and mainly concerned situations occurring in 2019.

In order to minimize the practices reported by customers in complaints described above and bearing in mind the provisions of Article 23 para. 2 item 14 of the Energy Law Act, the President of URE started cooperation with the President of UOKiK by submitting letters from customers concerning, among others, the above mentioned topics.

At the same time, the President of URE cooperated with the UOKiK, Consumer Ombudsmen, each time providing detailed explanations in connection with letters sent to URE by these institutions.

The tasks of the President of URE include, among others, carrying out information activities to protect justified interests of household electricity and gaseous fuels customers, in particular, publishing on the URE website information on recurring or significant problems leading to disputes between energy enterprises and customers of electricity and gaseous fuels in the household, as well as on energy companies about which justified complaints regarding these problems have been submitted by those customers. In 2020 the President of URE published, in particular, information on the pending

administrative proceedings on the revocation of the licence to trade in gaseous fuels, information on the issued decision revoking the licence to trade in gaseous fuels of one company, as well as information on the discontinuation by one company of the licensed activity consisting in the sale of electricity and gaseous fuels. An update of the Set of Electricity Consumers' Rights was also published.

As part of information actions, information is provided to energy customers via comprehensive information point comprising an info-line regarding supplier switching with respect to promote the right to choose supplier. In order to fulfil this task, the Information Point for Fuel and Energy Customers operates within the structure of URE, where customers can obtain advice regarding their rights and information on dispute settlement and complaints processing (by phone, in writing, as well as electronically).

In addition, pursuant to the obligation imposed by the Energy Law Act, suppliers of gaseous fuels or electricity shall provide household customers with copies of the Set of Energy Consumer Rights developed by the President of URE in cooperation with the President of UOKiK and ensure public access to this document.

Vulnerable consumer protection

In Poland, the vulnerable consumer protection system is most closely linked to the social welfare system. The financial support system provides for payment of energy allowances by municipalities to vulnerable consumers who were granted housing allowance (electricity consumers) or a lump sum for the purchase of fuel (gaseous fuels consumers) and who are, respectively, a party to a comprehensive agreement or agreement on supply of electricity or gaseous fuels, and reside in the place of supplying this energy or fuels. According to the estimates of the Ministry of Climate and Environment, energy allowance was paid out to no more than 77,700 eligible customers in 2020.

There are no systemic solutions in place in Poland justifying price intervention in favour of vulnerable customers, and any activities undertaken by suppliers aimed at preventing suspension of supplies to such customers (for instance through deferral of debt repayment, write-off of part of debt) are only conducted on a voluntary basis as part of CSR activities.

4. The natural gas market

4.1. Network regulation

4.1.1. Network and LNG tariffs for connection and access

Gas enterprises with licences for the transmission, distribution, storage of gaseous fuels, natural gas liquefaction or regasification of liquefied natural gas conduct the above-mentioned activities based on tariffs set by themselves and approved by the President of URE.

A prerequisite for the approval of the tariff is its compliance with the provisions of the Energy Law Act and the executive acts to this Act, including in particular the Gas Tariff Ordinance.

In the tariff approval proceedings, the President of URE thoroughly analyzes the costs which form the basis for calculating the rates of fees, ensuring that there is no cross-subsidies between the licensed and non-licensed activities and between the various types of licensed activities. The basis for the assessment of costs accepted for the calculation of tariffs are the data included in the financial statements. Due to the structure of the Polish gas sector, comparative analyses are used to a limited extent.

Tariffs approved by the President of URE are published in the URE Bulletin within 14 days of the date of approval. Gas companies introduce tariffs for application not earlier than after 14 days and no later than 45 days of the date of their publication, while energy companies involved in the transmission of gaseous fuels introduce the tariff for application on the date specified by the President of URE in the decision approving the tariff, not earlier than 14 days after its publication.

The decision of the President of URE approving or refusing to approve the company's tariff may be appealed from to the District Court in Warsaw – the Competition and Consumer Protection Court, via the President of URE, within two weeks of the date of its delivery.

Enterprises dealing with the transmission or distribution of gaseous fuels are required to conclude an agreement for connection to their network with entities applying for connection on a non-discrimination basis, if there are technical and economic conditions for connection and delivery of these fuels, and the contracting party meets the conditions of network connection and of collection. For the connection to the high-pressure network, entities that do not perform activities in the field of transmission or distribution of gaseous fuels, their production or extraction, storage of gaseous fuels and liquefaction or regasification liquefied natural gas, pay a fee of 1/4 of actual expenditures incurred for the connection. For connection of entities performing activities indicated in the preceding sentence, a fee is charged in the amount corresponding to the actual expenses incurred for the connection. On the other hand, entities whose devices, installations and networks are connected to low, medium and higher pressure networks, pay a fee determined on the basis of rates calculated by the distribution network operators and contained in their tariffs approved by the President of URE. These rates are calculated on the basis of 1/4 of the average annual investment expenditure on the construction of network sections used for connection of these entities, as defined in the development plan, developed by the DSO.

The key infrastructure companies in the gas sector include OGP Gaz-System S.A., PSG Sp. z o.o. and EuRoPol Gaz S.A. (companies dealing with gas transport), Gas Storage Poland Sp. z o.o. (a company providing gas storage services) and Polskie LNG S.A. (a company providing services in the area of regasification of liquefied natural gas).

Tariff of OGP Gaz-System S.A.

In 2020, in settlements for gaseous fuel transmission services provided by OGP Gaz-System S.A., Tariff No 13 was applied, approved by the decision of the President of URE of 31 May 2019 for the period from 1 January 2020 to 31 December 2020.⁶⁸⁾ The tariff was approved within the time limit arising from the provisions of Article 29 and Article 32(a) of the TAR NC. According to these provisions, the publication of, among others, the transmission tariffs for the upcoming gas year (2019/20) should take place no later than 30 days before the annual auction of annual transmission capacity. On the other hand, according to Article 11(4) of the CAM NC, the annual auctions of annual transmission capacity shall commence on the first Monday of July of each year.

Pursuant to the Gas Tariff Regulation, the regulatory account mechanism, that is the solution introduced by the TAR NC, was taken into account in the approval of Tariff No 13. The idea of the regulatory account is that the difference between the anticipated and actual revenue for that year will be considered in the calculation of tariffs for subsequent years. Pursuant to the provisions of Article 18(1) of the TAR NC, under- or over-recovered revenue constitutes, for a given tariff period, the difference between the value of actually obtained revenues related to the provision of transmission services in that period and the anticipated revenues from transmission services included in the tariff calculation for a given period. A positive value of the aforementioned difference means over-recovery of transmission services revenue for a given year and will reduce the revenue to be considered for the calculation of the tariff in subsequent years, while a negative value means under-recovery of these revenues and will increase the revenue to be considered for the calculation of future tariffs as part of the reconciliation of the regulatory account referred to in Article 20 of the TAR NC.

The regulatory account thus allows to significantly reduce the risks of the activity, including the risks resulting from the discrepancy between the volumes forecast at the tariff approval stage and the volumes actually implemented in the course of the tariff application. Bearing in mind that economic activity in the field of energy infrastructure requires significant financial outlays, risk management through the mechanism of the regulatory account will allow stabilizing the revenue of regulated energy companies. Thus, it will reduce the investment risk. This is because, in a model, the revenues of an infrastructure energy company obtained from tariff fees should ensure that it covers the justified costs of running its operations together with the remuneration of the capital employed.

⁶⁸⁾ Biuletyn branżowy URE – Paliwa gazowe nr 48/2019 r. (URE Industry Bulletin – Gaseous Fuels No 48/2019), <https://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje-b/paliwa-gazowe/3779,Taryfy-opublikowane-w-2019-r.html>

By decision of 5 June 2020 the President of URE approved the *Tariff for Gaseous Fuel Transmission Services No 14* for the period from 1 January 2021 to 31 December 2021.⁶⁹⁾ For the tariff for 2021, information on the status of this account and the manner of its reconciliation is provided in the decision on approval.

The tariff established by OGP Gaz-System S.A. ensures that the planned costs are covered, together with a reasonable return on the capital employed. This tariff was calculated in accordance with the requirements of the TAR NC and the Gas Tariff Regulation. The tariff calculation has taken into account the provisions of the decision of the President of URE, issued on the basis of the TAR NC, dated 29 March 2019, approving the *Method of determining reference prices No 1/OGP with respect to the own transmission network of the Gas Transmission Operator Gaz-System S.A. for the period: from 1 January 2020 to 31 December 2022*, constituting an annex to this decision (URE Industry Bulletin – Gaseous Fuels No 32 (1226) of 29 March 2019) and *Announcement No 14/2020 on the level of multipliers, seasonal factors and discounts referred to in Article 28(1)(a)-(c) of the Tariff Network Code*, taken into account in the calculation of tariffs for gaseous fuel transmission services for the period from 1 January 2021 to 31 December 2021⁷⁰⁾, issued pursuant to the provisions of the TAR NC.

This tariff comprises transmission fee rates for annual firm transmission services of gaseous fuels provided at the entry and exit points to/from the transmission system (for high-methane natural gas – E group and nitrogenous natural gas – L group, Lw subgroup), including for high-methane natural gas also at entry points and exits from/to underground gas storage facilities.

On the other hand, the base prices of standard interruptible capacity products, in accordance with the provisions of Announcement 14/2020, will be calculated by multiplying the base prices of the concerned standard firm capacity products by the difference between 100% and the ex-ante discount level:

- 6% for annual, quarterly, monthly, daily and intraday interruptible capacity products for E gas offered at interconnection points with the EU Member States and with third countries,
- 2% for annual, quarterly, monthly, daily and intraday interruptible capacity products for E and L gas offered at internal entry/exit points.

The ex-ante discount of the aforementioned amount will not be applied to virtual reverse flow services, to which a factor of 0.2 (discount of 80%) is applied pursuant to §14 of the Gas Tariff Regulation. However, in connection with Article 16 of the TAR NC, this factor (and thus the 80% discount) may only be applied to interruptible capacity products.

In the case of provision of both firm and interruptible gas transmission services in periods shorter than one year, correction factors determined in the tariff, appropriate for the given product for the scope of transmission capacity (quarterly, monthly, daily and intraday) are applied in settlements.

In the tariff for 2021, the share of revenue obtained from fixed charges, for both high-methane and nitrogenous gas, was 100%. According to the Reference Price Determination Method No 1/OGP, the distribution of revenue between entry and exit points corresponds to a proportion of 45/55. Rates at entry and exit points to/from storage facilities amount to 20% of the transmission rates at entry and exit points to/from the high-methane natural gas transmission network other than storage facilities. At the entry point to the transmission system from the LNG terminal, a discount of 100% has been applied, resulting in no fees for gas introduction into the transmission system at this point.

Tariff of PSG Sp. z o.o.

In 2020 the President of URE published tariff decisions twice with regard to the pending administrative proceedings of an energy company – PSG Sp. z o.o. with its registered office in Tarnów – the country's largest distribution system operator.

On 18 March 2020 the President of URE approved Tariff No 8, with its validity period until 31 December 2020. It resulted in a 3.5% increase in the average distribution service charge for high-methane and nitrogenous natural gas customers and a 44.6% increase in the average distribution service charge for coke-oven gas customers. The tariff in question was introduced for application on 3 April 2020.

⁶⁹⁾ Biuletyn branżowy URE – Paliwa gazowe nr 49/2020 r. (URE Industry Bulletin – Gaseous Fuels No 49/2020), <https://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje-b/paliwa-gazowe/3908,Taryfy-opublikowane-w-2020-r.html>

⁷⁰⁾ <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/mnozники-wspolczynniki-1/8439,Mnozники-wspolczynniki-sezonowe-i-rabaty-na-2021-r-art-28-NC-TAR.html>

Then, on 15 May 2020 the President of URE approved and published the decision approving the modification of Tariff No 8. The reason for submitting the tariff modification application was to adjust the wording of the definitions contained in the existing tariff with the definitions appearing in the DNC of PSG Sp. z o.o. The tariff modification was implemented for use on 1 June 2020.

Tariff of Gas Storage Poland Sp. z o.o.

Tariff No 1/2020 for gas fuel storage services for Gas Storage Poland Sp. z o.o. was approved on 15 May 2020 for the period until 31 March 2021. As a result of the expansion of PMG Wierzchowice, the working capacity of gas storage made available to the market increased by 3.3% compared to the previous year, that is by 5,486 packages. The size of a package remained unchanged – 200 MWh of working capacity. The structure and scope of the storage services provided also remained unchanged. Thus, in 2020 Gas Storage Poland Sp. z o.o. provided services on a firm and interruptible basis, as long-term and short-term products, in the form of packages, flexible packages and as unbundled services, as well as in the form of special packages, that is the 90/40 package and the UM Reverse package. Bundle rates in interruptible service increased by an average of 2.2%, while bundle rates in firm service decreased by an average of 2.5%.

In November 2020 Gas Storage Poland Sp. z o.o. applied for a modification of Tariff No 1/2020, in connection with an increase in the purchase costs of transmission services (capacity allocation) in relation to the costs of these services assumed for the calculation of the tariff (increase of the transmission fee rate at the entry to the transmission system from storage facilities by more than 10% and by 0.3% at the exit from the transmission system to storage facilities). Indeed, the TSO's tariff for 2021 was approved on 5 June 2020, that is after the approval of Gas Storage Poland Sp. z o.o.'s tariff and came into force on 1 January 2021. The modification of the GSP Tariff No 1/2020 was approved on 17 December 2020 and consisted in an average increase of 1.6% in storage tariffs from 1 January 2021.

Tariff of POLSKIE LNG S.A.

From 1 January 2020, Tariff No 5, approved by decision of the President of URE of 16 December 2019 for a period of 12 months from the date of introduction for use, was applied in settlements for the LNG regasification services provided by Polskie LNG S.A. – operator of the Lech Kaczyński LNG Terminal in Świnoujście – LNG regasification services and additional services⁷¹⁾.

By decision of 17 December 2020 the President of URE approved Tariff No 6 for LNG regasification services for the period of 12 months from the date of introducing the tariff to application⁷²⁾, which according to the information provided by Polskie LNG S.A. took place on 1 January 2021.

The approval of Tariff No 6 resulted in a decrease in the average rate for regasification services by 9.3% compared to the average rate calculated on the basis of Tariff No 5, effective in 2020 (for the value of contractual capacity and quantity of gas after regasification adopted for calculation of the approved tariff), while the rate for LNG reloading onto tanker trucks increased by 1.4%. The decrease in rates for the regasification services provided resulted from the planned increase in the volume of regasified gas and thus the significant improvement in the effectiveness of the terminal's operation.

In Tariff No 6, similarly as in the previous tariff, fee rates (fixed and variable) were determined for package regasification services of liquefied natural gas covering: unloading LNG from a tanker, in-process storage in tanks, regasification and delivery of gaseous fuel to the transmission system as well as fee rates for LNG reloading services on tank trucks. LNG regasification services may be provided as long-term services – for a period longer than one year and short-term services – for a period of at least one gas day. In addition, the tariff includes fee rates for unbundled services, that is: unbundled in-process LNG storage and unbundled regasification contractual capacity, which will be provided in addition to package services.

⁷¹⁾ Biuletyn branżowy URE – Paliwa gazowe nr 98/2019 r. (URE Industry Bulletin – Gaseous Fuels No 98/2019), <https://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje-b/paliwa-gazowe/3779,Taryfy-opublikowane-w-2019-r.html>

⁷²⁾ Biuletyn branżowy URE – Paliwa gazowe nr 95/2020 r. (URE Industry Bulletin – Gaseous Fuels No 95/2020), <https://bip.ure.gov.pl/bip/taryfy-i-inne-decyzje-b/paliwa-gazowe/3908,Taryfy-opublikowane-w-2020-r.html>

Tariff of SGT EuRoPol GAZ S.A.

On 5 June 2020 the tariff for high-methane natural gas transmission services set by SGT EuRoPol GAZ S.A. for the period from 1 January to 31 December 2021 was approved. The tariff was approved within the deadline arising from the provisions of Article 29 and Article 32(a) of the TAR NC. Pursuant to these provisions, the publication of, among others, the transmission fee rates for the upcoming gas year (2019/20) should take place no later than 30 days before the annual auction of annual transmission capacity. On the other hand, according to Article 11(4) of the CAM NC, the annual auctions of annual transmission capacity shall commence on the first Monday of July of each year.

In this context, it is worth noting that on 16 May 2020, the term of the larger of the two so-called historic contracts expired. The transmission capacities reserved for this contract became available to the Operator of SGT EuRoPol GAZ S.A – that is OGP Gaz System S.A. This fact had no impact on the calculation of the tariff for transmission services of SGT EuRoPol GAZ S.A.

As in the case of the SGT EuRoPol GAZ S.A. tariffs for 2018, 2019 and 2020, the tariff approved on 5 June 2020 was not implemented as a result of the Company's appeal filed against the decision approving this tariff, of which the President of URE informed on 18 June 2020 by publishing an appropriate announcement in the URE Industry Bulletin – Gaseous Fuels No 55 (1349). Due to the lodged appeal, settlements for gas transmission services provided on the Polish section of the Yamal – Europe gas pipeline owned by SGT EuRoPol GAZ S.A. continued to be made on the basis of the tariff of this Company approved in December 2016.

On 17 September 2020, due to the verdict of the Court of Appeal in Warsaw, case no VII AGa 873/19, the decision of the President of URE of 4 June 2018 approving the tariff of SGT EuRoPol GAZ S.A. for 2019 became final. Due to the periodic nature of tariff decisions, this fact did not affect settlements for transmission services. In the URE Industry Bulletin – Gaseous Fuels No 74 (1368) of 18 September 2020, the relevant Announcement of the URE President was published.

In turn, on 28 December 2020 the Court of Appeal in Warsaw dismissed the Company's appeal against the decision of the President of URE of 30 May 2019 approving the tariff of SGT EuRoPol GAZ S.A. for the period from 1 January 2020 to 31 December 2020 – thus, on that day, the appealed decision became legally valid and the tariff entered into application. The President of URE informed about this fact in the Announcement of 28 December 2020, published in the URE Industry Bulletin – Gaseous Fuels No.97 (1391). In connection with the application of the tariff for 2020, the average increase in fees for transmission services via the Yamal pipeline amounted to approximately 38%.

The 2020 tariff of SGT EuRoPol GAZ S.A. is the first applied tariff of this company, implementing the provisions of the TAR NC Regulation. It has been prepared in accordance with the *Method for Reference Price Determination No 1/SGT on the transmission network owned by the energy company System Gazociągów Transitoowych EuRoPol GAZ S.A. with its registered office in Warsaw* for the period: from 1 January 2020 to 31 December 2022⁷³⁾ (Decision of the President of URE of 29 March 2019) and takes into account the arrangements for the level of multipliers, seasonal coefficients and discounts resulting from the Announcement of President of URE No 24/2019 of 29 March 2019 in this regard.

Monitoring access to storage, linepack and other ancillary services

The President of URE is conducting activities monitoring the rules of access to gaseous fuels storage, gas pipeline storage capacity and other auxiliary services, within the framework of the powers granted to it in the Polish Energy Policy and in the Energy Law Act. The President of URE actively participates in the consultation processes of amendments to the Storage Service Rules (SSR). Based on its own market analysis, including information obtained from gas market participants, the President of URE presented to the SSO suggestions for stipulations in SSR to ensure equal and non-discriminatory rules for the provision of storage services, as required by law. In 2020 the President of URE monitored the functioning of the gas system on an ongoing basis with respect to the conditions for the provision of, among others, gaseous fuels storage services.

⁷³⁾ <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/wyznaczanie-cen-referen/8186,Kodeks-sieci-dotyczacy-zharmonizowanych-struktur-taryf-przesylowych-dla-gazu.html>

Gas Storage Poland Sp. z o.o. which is SSO provides storage capacities in the following installations and installation groups:

- Group of Storage Facilities Kawerna (GSP Kawerna), including CUGS Mogilno and CUGS Kosakowo (CUGS – cavern underground gas storage),
- Group of Storage Facilities Sanok (GSF Sanok), including UGS Husów, UGS Strachocina, UGS Swarzów and UGS Brzeźnica,
- UGS Wierzchowice Storage Facility.

Table 25. Working storage volume in 2020

Group of storage facilities /storage facility		Working volume					
		until 1.06.2020	from 1.06.2020	until 1.06.2020	from 1.06.2020 to 31.08.2020	from 31.08.2020 to 14.09.2020	from 14.09.2020
		[million cubic meters]		[GWh*]			
GSF Kawerna	CUGS Mogilno	824.8		9,190.7			
	CUGS Kosakowo						
GSF Sanok	UGS Husów	1,050		11,808		11,868.2	
	UGS Strachocina						
	UGS Swarzów						
	UGS Brzeźnica						
UGS Wierzchowice Storage Facility		1,200	1,300	13,200	14,560	14,729	

Source: Analysis of Gas Storage Poland Sp. z o.o.

At the UGS Wierzchowice Storage Facility the provision of storage services with regard to the increased active capacity started on 1 June 2020 from 6:00 a.m. The change of the size of the working volume in energy units of GSF Sanok from 14 September 2020 and of the UGS Wierzchowice Storage Facility from 31 August 2020 was made after the previous values of the working volume in energy units were reached in the injection season due to the higher calorific value of the injected gaseous fuel.

Table 26. Maximum injection and withdrawal capacities to/from storage facilities for the period from 00:00 on 1 January 2020 to 24:00 on 31 December 2020

Group of storage facilities /storage facility	Maximum injection capacities				Maximum withdrawal capacities			
	until 1.06.2020	from 1.06.2020	until 1.06.2020	from 1.06.2020	until 1.06.2020	from 1.06.2020	until 1.06.2020	from 1.06.2020
	[m ³ /h]		[MWh/h]		[m ³ /h]		[MWh/h]	
GIM Kawerna	500,000		5,571.00		1,150,000		12,815.00	
GIM Sanok	384,667		4,325.42		478,750		5,379.76	
PMG Wierzchowice	250,000	400,000	2,800.00	4,480.00	400,000	600,000*	4,400.00	6,600.00*

* At the UGS Wierzchowice Storage Facility, the provision of storage services in terms of increased injection capacity and withdrawal capacity started from 6:00 a.m. on 1.06.2020. Increased capacity allocation at the entry to the transmission system from PMG Wierzchowice was ordered from 1.10.2020

Source: Analysis of Gas Storage Poland Sp. z o.o.

In 2020 Gas Storage Poland Sp. z o.o. offered storage capacity:

A. by way of application:

I. under firm conditions in:

- 1) the UGS Wierzchowice Storage Facility in the form of bundled units, flexible bundled units or unbundled SS (storage service), within the framework of the Long-Term SS, in the quantity of up to 1408 bundled units, or flexible bundled units or unbundled SS and covering up to 281,600 MWh of working volume, up to 116.864 MWh/h of injection capacity and up to 364.672 MWh/h of withdrawal capacity for the period from the beginning of the storage year 2020/2021 commencing at 6.00 a.m. on 15 April 2020 until the end of the storage year 2023/2024 ending at 6.00 a.m. on 15 April 2024,
- 2) GSP Kawerna in the form of bundled units, flexible bundled units or unbundled SS, under Long Term SS or Short Term SS, up to 270 bundled units, or flexible bundled units or unbundled SS and covering up to 54,000 MWh of working volume, up to 40.770 MWh/h of injection capacity and up to 92.610 MWh/h of withdrawal capacity or 90/40 SS up to 270 bundled units, for the period from 6.00 a.m. on 1 August 2020 until 6.00 a.m. on 1 August 2024,

II. under interruptible conditions in:

- 1) UGS Wierzchowice Storage Facility in the form of bundled units, flexible bundled units or unbundled SS under the Long-Term SS, up to 4078 bundled units, flexible bundled units or unbundled SS, covering up to 815,600 MWh of working volume, up to 350.708 MWh/h of injection capacity and up to 530.140 MWh/h of withdrawal capacity for the period from the beginning of the storage year 2020/2021 commencing at 6.00 a.m. on 15 April 2020 until the end of the storage year 2023/2024 ending at 6.00 a.m. on 15 April 2024,
- 2) GSP Kawerna, in the form of bundled units, flexible bundled units or unbundled SS, under Short Term SS in the amount of:
 - a) up to 65,800 MWh of working volume, up to 100.021 MWh/h of injection capacity, up to 224.922 MWh/h of withdrawal capacity for the period from 6.00 a.m. on 1 January 2020 until 6.00 a.m. on 1 April 2020;
 - b) up to 231,800 MWh of working volume, up to 184.691 MWh/h of injection capacity, up to 428.037 MWh/h of withdrawal capacity for the period from 6 a.m. on 1 April 2020 until 6 a.m. on 1 May 2020;
 - c) up to 251,800 MWh of Active Capacity, up to 187.591 MWh/h of Injection Capacity, up to 431.837 MWh/h of Withdrawal Capacity for the period from 6.00 a.m. on 1 May 2020 to 6.00 a.m. on 1 June 2020;
 - d) up to 54,800 MWh of working volume, up to 40.826 MWh/h of injection capacity, up to 93.982 MWh/h of withdrawal capacity for the period from 6.00 a.m. on 1 July 2020 to 6.00 a.m. on 1 April 2021;
 - e) up to 32,800 MWh of working volume, up to 24.436 MWh/h of injection capacity, up to 56.252 MWh/h of withdrawal capacity for the period from 6.00 a.m. on 1 October 2020 to 6.00 a.m. on 1 April 2021;
 - f) up to 131,600 MWh of working volume, up to 98.042 MWh/h of injection capacity, up to 225.694 MWh/h of withdrawal capacity for the period from 6 a.m. on 1 November 2020 until 6 a.m. on 1 April 2021.

In the application procedure, the UGS Wierzchowice Storage Facility offered the so-called new storage capacities, that is storage capacities made available for the first time, which resulted from the change of technical conditions of the cooperation of the UGS Wierzchowice Storage Facility with the Transmission System.

In the case of GSF Kawerna, released storage capacities were offered as a result of expiry of the concluded contract at 6.00 a.m. on 1 August 2020, as well as short-term storage capacities on interruptible terms obtained periodically thanks to processes taking place in the caverns of the Mogilno and Kosakowo Storage Facilities.

The application procedure also offered storage capacities not contracted in the auction procedure;

B. in the interruptible auction procedure under the short-term SS, in GSF Kawerna in the number of 505 bundles (comprising 101,000 MWh of working volume, 75.245 MWh/h of injection capacity, 173.215 MWh/h of withdrawal capacity) for a period commencing:

- from 6.00 a.m. on 1 February 2020 and ending at 6.00 a.m. on 1 April 2020, that is two gas months in the auction conducted on 14 January 2020,

- from 6 a.m. on 1 March 2020 and ending at 6 a.m. on 1 April 2020, that is one gas month in the auction held on 12 February 2020.

The auction offered short-term storage capacity in GSF Kawerna on interruptible terms unsold in the application procedure for at least 2 months, made available in 2019.

In 2020, Gas Storage Poland Sp. z o.o. did not have at its disposal storage capacities exempted from third-party access pursuant to decisions of the President of URE issued under Article 4i of the Energy Law Act (exemptions from the TPA principle for new infrastructure). The implementation of the obligation resulting from Article 22 of Regulation 715/2009 is determined by the provisions of the SSR, allowing for secondary trading of storage capacities. In 2020, Gas Storage Poland Sp. z o.o. did not receive any application to sell on the secondary market the storage capacities ordered by the customer of the storage services. The implementation of investments in the expansion of storage facilities and other planned activities which may result in an increase in the volume of offered storage capacities is conducted by PGNiG S.A., which is the owner of the storage facilities. It is planned to increase active capacity of KPMG Kosakowo, PMG Husów, PMG Strachocina and PMG Swarzędów.

Monitoring of the fulfilment of tasks by the LNG system operator

In 2020, the operator of the natural gas liquefaction system (LNG terminal in Świnoujście) was Polskie LNG S.A. The working capacity of the LNG terminal in Świnoujście is 2,058 GWh (2,058,000 MWh), the maximum off-take capacity is 82,320 MWh/h, the capacity of the LNG tanks is 320,000 m³ and the maximum technical capacity is 656 Nm³/h. The capacity of the LNG terminal in Świnoujście – the installation for unloading, process, storage and regasification of LNG for commercial purposes in 2020 was 6.78129 GWh/h (6,781.29 MWh/h, 570,000 Nm³/h), while the installation for loading LNG onto tanker trucks was 400 MWh/h. The reserved capacity for commercial purposes was 570,000 Nm³. The amount of LNG imported through this terminal in 2020 was equal to 41,221.83 GWh (41,221,834.928 MWh). 1,424.905 GWh (1,424,905 MWh) of tanker loading capacity was offered in 2020. All of this capacity was reserved.

In 2020, the LNG terminal operator provided gaseous fuel regasification services (long-term and short-term, spot) and additional services. Services of a long-term character are provided throughout the regasification year (except for the period of conducting agreed works, breakdowns and introduction of limitations). Services of a short-term nature are provided for a period of at least one gas day or a multiple of consecutive gas days in a given regasification year. As part of the basic regasification service, the operator shall ensure to the user the unloading of LNG from the tanker, in-process storage, regasification of LNG and delivery of gaseous fuel to the exit point from the LNG Terminal. Services of a short-term nature may be provided under a master contract. However, as part of additional services, the LNG terminal operator shall render the services of LNG reloading onto tank trucks, unbundled in-process storage and making available unbundled contractual capacity. Additional services may be provided only to entities that have reserved the basic regasification service. Before entering into an agreement to provide a regasification service or an additional service, the entity concerned shall be obliged to submit an appropriate financial collateral. In connection with the planned so-called large expansion of the LNG terminal, in the period 24 February 2020 – 13 March 2020 market consultations were held on the procedure for opening the Terminal to the public. As part of this procedure, market participants could submit binding bids for the provision of regasification services and additional services. Subsequently, a binding procedure for the opening of the LNG Terminal was conducted in the period 23 March – 21 May 2020, which relied on market-based, equal and transparent rules for all interested market participants. In fulfilment of its information obligations set out in particular in Article 19 of Regulation 715/2009, the LNG Terminal operator shall make public detailed information on the services it offers and the conditions applied, together with the technical information needed by market participants to gain effective access to the LNG facilities, numerical data on the contracted and available capacity of the LNG facilities, information on the quantity of gas in each LNG facility, on the quantities of gas injected and offtaken, as well as on the available capacity of the LNG facilities, including for facilities exempted from third-party access. The published data shall be available both as regards current data and archived data. In addition, the LNG terminal operator on the international platform ALSI provides data regarding nominations for the exit point to the transmission network of OGP Gaz-System

S.A. LNG after regasification and the state of LNG in the terminal's tanks, and updates these data on a daily basis. The ALSI platform presents data from the LNG Terminal in Świnoujście together with other European LNG terminals at: <https://alsi.gie.eu/#/>.

4.1.2. Balancing the system

Balancing services

In accordance with the provisions of the Energy Law Act, the balancing in the national gas system is performed by the TSO as part of the gaseous fuels transmission services provided. The concept of balancing services (balancing service) can have a dual meaning. Under Directive 2009/73/EC, the concept of balancing services should be understood as all activities undertaken by the TSO to balance the entry-exit area. The BAL NC gives a slightly different meaning to balancing services. Pursuant to Article 3(7) of the BAL NC, a "balancing service" means a service provided to a transmission system operator via a contract for gas required to meet short term fluctuations in gas demand or supply, which is not a short-term standardized product. The TSO shall be entitled to procure balancing services in situations where standard short-term products do not or are not likely to keep the transmission system within its operational limits or in case of lack of liquidity on the wholesale gas market for short-term transactions.

The President of URE, as the national regulatory authority, is responsible for monitoring the application of balancing rules. The balancing regulations are included in the Energy Law Act, the Ordinance of the Minister of Economy on the detailed rules of gas system operation. The detailed rules are specified in the TNC of the National Transmission System (TNC NTS), the Transmission Network Code of the Transit Gas Pipeline System (TNC TGPS), and the *Mechanism to ensure cost neutrality of balancing activities of Transmission System Operator Gaz-System S.A. in relation to the entry into force of Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a network code for gas balancing in transmission networks*. The transmission system operator, Gaz-System is responsible for balancing gas in all three balancing zones. The so-called National Transmission System comprises two zones: (i) balancing zone for high-methane gas (NTSHM) and (ii) balancing zone for nitrogenous gas (NTSN). The Polish part of the Yamal pipeline (the Transit Gas Pipeline System – TGPS) is the third separate balancing zone. The high-methane gas balancing zone in the National Transmission System and the TGPS balancing zone are connected by the relevant point of the transmission system – the so-called Interconnection Point, through which natural gas can be transmitted.

The balancing rules of the transmission system operator have been regulated in the TNC, which is subject to approval by the President of URE. The TNC contains a separate part concerning system balancing and congestion management. The TNC specifies the platform on which the TSO is authorized to buy and sell gas. It is a market operated by TGE S.A. The TNC also regulates the method of determining the price for daily imbalance. The system users, including customers whose facilities, installations or networks are connected to the network of the gas TSO or using the services provided by it, are obliged to comply with the terms and requirements and procedures of conduct and exchange of information specified in the TNC. The TNC constitutes a part of a contract for the provision of gaseous fuels transmission services or a comprehensive contract, and so does the Mechanism to ensure cost neutrality of balancing activities.

According to the TNC, physical (operational) balancing is carried out by the TSO in order to ensure operational security and integrity of the transmission system. On the other hand, commercial balancing is the TSO's activity consisting in determining and settling the imbalance resulting from the difference between the quantities of gaseous fuel delivered and received in a given balancing zone by system users. It should also be emphasized that in accordance with the TNC, the daily imbalance limit in the nitrogenous gas zone is 0. If, at the end of the day, a given system user is unbalanced, the TSO imposes on it an imbalance charge referred to in Article 19 of the BAL NC. The rules of the settlement allocation, consisting in assigning to individual customers of the transmission service the amount of gaseous fuel delivered for transmission at the entry point or received at the exit point, are also important for the TSO's balancing activities. In the case of exit points from the transmission system, the allocation is made by the gaseous fuel customer at that point or, if it is a connection point with the cooperating system operator (CSO), this cooperating system operator. On connections with the distribution system,

in accordance with the provisions of the TNC, the allocation is made by the distribution system operator. The allocation is made on the basis of actual or projected gas consumption of individual customers.

In 2020, balancing services were applied at the Branice interconnection point at the Polish-Czech border. The rules for the application of balancing services are stipulated in Article 8 of the BAL NC and the contract for the provision of these services, which is concluded by the transmission system operator after a non-discriminatory tender procedure.

The President of URE monitored the fulfilment of disclosure obligations under the BAL NC. The TSO publishes a monthly summary of costs and revenues achieved in balancing activities and annually, after the end of the gas year, information on balancing activities undertaken⁷⁴). In addition, the TSO published information on balancing activities in the neighbouring balancing zone (no such activities were undertaken in 2020) and on the use of balancing services within the meaning of Article 8 of the BAL NC.

In addition, the President of URE monitored whether the TSO carried out balancing activities and fulfilled its publication obligations in accordance with the requirements of the BAL NC and the TNC.

Commercial balancing is based on the principle of daily settlement. The TSO undertakes balancing activities through the purchase and sale of standard short-term products on the trading platform approved by the President of URE. This contributes to increasing the liquidity of the short-term products market in Poland. TGE S.A. trades on the following markets: Commodity Forward Market for gas, Day-Ahead Market for gas and Intraday Market for gas.

In the high-methane gas balancing zone of the National Transmission System, TGE S.A. offers the possibility to trade natural gas on both the intraday and day-ahead markets.

However, in the nitrogenous gas balancing zone, a virtual point was established in March 2016. Starting from 1 December 2018 TGE S.A. provides the possibility of trading in nitrogenous natural gas, both on the intraday market and on the day-ahead market.

Since 1 March 2016, it has also been possible to trade in natural gas transported via the Yamal pipeline using short-term instruments – at a virtual point created for this purpose in the TGPS balancing zone. Initially, trading was only possible in day-ahead market products. On 23 April 2020, the Intraday Market for the balancing zone of the TGPS was launched on the trading platform of TGE S.A. Therefore, it is possible to trade in gas in the balancing zone of the TGPS on the exchange platform not only as before within the Day-Ahead Market, but also within the Intraday Market. This means that at present trading in natural gas in all three balancing zones is possible both on the intraday market and on the day-ahead market.

It is also worth noting that in 2020 the URE President participated internationally (together with ACER and ENTSO-G) in the development of the procedure and rules of conduct in the event of a significant, unusual imbalance in the position of a network user. The public consultation on this issue was conducted in autumn 2020, while the joint ACER and ENTSO-G document was published on 10 February 2021⁷⁵).

4.1.3. Cross-border issues

Access to cross-border infrastructure, including allocation of transmission capacity and congestion management

The principles of capacity allocation resulting from the provisions of Regulation 715/2009 and the CAM NC, which regulates the principles of capacity allocation at interconnection points and the principles of cooperation of transmission system operators in this process, have been regulated in the TNC and TNC TGPS developed by the TSO and subsequently approved by the President of URE. As a capacity allocation mechanism, the CAM NC provides for an auction procedure with the use of an Internet platform designed to reserve firm and interruptible capacity at interconnection points. The capacity offered at these points should be linked. The same auction model is used at all interconnection points and the relevant auction processes start simultaneously for all relevant points. In each auction process for one standard capacity product, capacity shall be allocated independently of any other auction process, except for so-called competing capacity.

⁷⁴) <https://www.gaz-system.pl/strefa-klienta/taryfa/bilansowanie/dzialania-bilansujace-nc-bal/>

⁷⁵) https://www.acer.europa.eu/Official_documents/Position_Papers/Position%20papers/EU%20Balancing%20Suspected-%20Misconduct_%20ACER_%20ENTSOG_Policy%20Paper.pdf

In 2020 the President of URE conducted monitoring activities to confirm the correct implementation of the provisions on system congestion management.

The TSO undertakes actions to eliminate the possibility of system congestion, including among others:

- at the stage of consideration of capacity allocation requests or approval of capacity allocation forecasts, the TSO shall analyze the possibility of performance of new contracts so that they do not result in a decrease of the security of supply and the quality of gaseous fuel supplied to the existing system users,
- in case of capacity for transmission services, the TSO offers the available capacity in accordance with the provisions of the TNC,
- if firm transmission services cannot be provided, the TSO shall make interruptible transmission services available, if possible,
- it plans the work on the system so as not to cause constraints, and if constraints are necessary in connection with the work carried out, it endeavours to minimize their effects.

The TSO offers unused capacity on the primary market on a firm and interruptible basis in the case of contractual restrictions, and also enables network users to resell or make available under another legal title unused contracted capacity on the secondary market via the Gaz-System Auctions platform (GSA Platform). In 2020, 114 capacity resale offers were active on the secondary market. 103 offers ended in resale transactions, the volume of which totalled 15,368,072 MWh.

According to the TNC, the system user is also entitled to return the allocated capacity on an interruptible basis with a 14-day notice period, effective at the end of the gas month.

Within the management of contractual congestion on cross-border interconnections, the TSO has implemented procedures which are consistent with the Guidelines in Annex I (point 2.2.) to Regulation 715/2009. They are aimed at preventing and alleviating existing contractual congestion at interconnection points with neighbouring EU Member States:

- Oversubscription and buy-back scheme (OS&BB),
- Long-term use-it-or-lose-it mechanism (LT UIOLI),
- Surrender of contracted capacity mechanism,
- Firm day-ahead use-it-or-lose-it mechanism (FDA UIOLI).

The TSO's current assessment of capacity utilization by system users showed that in 2020 there were no circumstances that would result in the need to apply the oversubscription and buy-back mechanism and the mechanism based on the long-term "use it or lose it" principle.

On the other hand, market participants benefited from a procedure allowing them to surrender their contracted but unused capacity, either allocated on a firm or interruptible conditionally firm basis. According to ACER analyses based on data from ENTSO-G, in 2020 the capacity recovered in this way amounted to an average of 40 MWh per day in Poland.

The day-ahead firm capacity release mechanism on a use-it-or-lose-it basis is implemented due to the fact that ACER, on the basis of its analysis, has demonstrated in its annual report the occurrence of contractual congestion with respect to the firm capacity products defined in the above-mentioned Guidelines at a given cross-border interconnection point. In 2020, due to the fact that no congestion was found in the ACER report at interconnection points connecting Poland with the neighbouring countries, there was no justification for applying the day-ahead firm capacity release mechanism on a "use it or lose it" basis.

Cooperation among national regulatory authorities

On 11 December 2018, the Agreement between the Republic of Poland and the Kingdom of Denmark on the Baltic Pipe project was concluded. Pursuant to its provisions, the competent regulatory authorities of the contracting parties will establish the principles of cooperation concerning the performance of their tasks with respect to part of the infrastructure of the Baltic Pipe project. Negotiations between the President of URE and the Danish regulator started in 2020 in order to conclude an agreement setting out the aforementioned principles of cooperation. The negotiation process continued in 2021.

Monitoring investment plans and assessment of their consistency with the EU-wide development plan

Energy undertakings involved in the transmission or distribution of gaseous fuels, pursuant to Article 16 para. 1 of the Energy Law Act, are obliged to prepare, for the area of their activity, development plans for satisfying current and future demand for those fuels.

Agreeing of the draft development plans is aimed at ensuring compliance of these draft plans with the Act and its implementing provisions and compliance with the state's energy policy. Development plans – due to a multiannual investment cycle and involvement of significant financial resources (high capital-intensity), which cause long-term financial consequences for the company and its customers – have a direct impact on the level of the future tariffs of the company. Therefore, agreeing the draft development plans is directly connected with issuing decisions on tariff approval.

Development plans are also a source of information on the investment plans of the company in terms of planned investments aimed to connect new customers and projects necessary to maintain an appropriate level of reliability and quality of provided network services.

In addition, under Article 20 para. 1 of the Act on Electromobility and Alternative Fuels, legally unbundled gas DSOs⁷⁶⁾ are required to develop a programme for the construction of natural gas stations⁷⁷⁾ and projects involving modernization, expansion or construction of networks necessary for the connection of such stations. The Act implemented the Government's Plan for the Development of Electromobility in Poland and responds to the proposed legislative measures and infrastructure development objectives contained in the National Policy Framework for the Development of Alternative Fuel Infrastructure, adopted by the Council of Ministers on 29 March 2017. Among other things, the Act sets out how locations and LNG/CNG stations for powering motor vehicles in major cities are to be designated and subsequently financed, as well as rules for enforcing the obligation to build stations, which is done by monitoring the implementation of tasks from the agreed development plan⁷⁸⁾. A significant part of these tasks is to be completed in 2020, while the following year will see the achievement of concrete results and quantitative settlement of the obliged DSOs from the material tasks covered by the programme.

The obligation to submit draft development plans for agreement with the President of URE was imposed on 20 operators and one energy company;

- OGP GAZ-SYSTEM S.A,
- SGT EuRoPol GAZ S.A,
- PSG Sp. z o.o., as a company that was subject to the obligation of legal unbundling, and
- 18 distribution system operators not subject to legal unbundling as a result of exceeding the limits referred to in Article 16 para. 13 of the Energy Law Act.

Transmission System Operator (OGP Gaz-System S.A.)

The Development Plan of OGP Gaz-System S.A. consists of two parts:

- Part A, which concerns the development of the transmission infrastructure owned by it, and
- Part B, which concerns the development of the transmission infrastructure owned by SGT EuRoPol GAZ S.A., on which OGP Gaz-System S.A. performs the function of operator in the Independent System Operator (ISO) formula.

Pursuant to Article 16, para. 2 of the Energy Law Act, Part A of this Development Plan is subject to an update every 2 years, whereas Part B of this Plan, pursuant to Article 16, para. 3 of the Energy Law Act, is subject to an annual update.

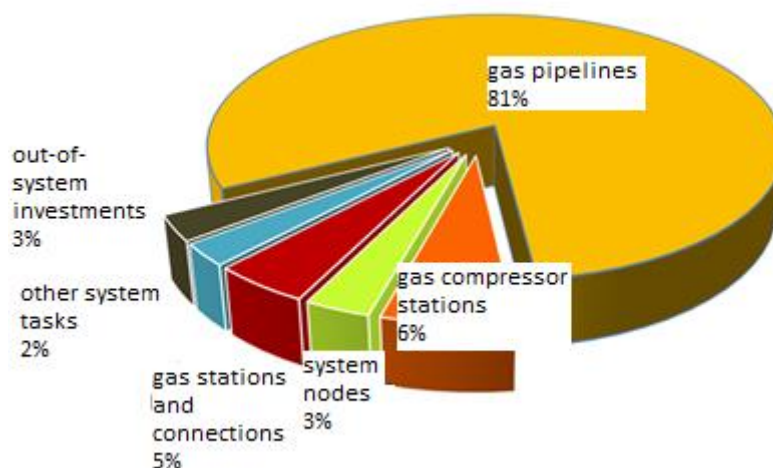
⁷⁶⁾ The gas DSO referred to in Article 9d para. 1d of the Energy Law Act, excluding the undertakings referred to in Article 9d para. 7 items 3 and 4 of that Act.

⁷⁷⁾ Pursuant to the provisions of Article 2 para. 26 of the Act on Electromobility and Alternative Fuels, a "natural gas station" is understood as a set of appliances, including a compressed natural gas (CNG) refuelling point or a liquefied natural gas (LNG) refuelling point, connected to a gas distribution network or a terminal for the importation, offloading and re-gasification of liquefied natural gas (LNG), together with auxiliary installations and storage tanks used in the regasification process.

⁷⁸⁾ The Act also provides rules for the development of LNG/CNG stations located along the transport routes of the European transport network TEN-T and rules for the development of infrastructure for waterborne transport. In these categories, tasks are directly assigned to other entities and accounted for differently. DSOs participate in their connection but other entities are responsible for their construction.

In 2020, the TSO's development plan entitled *National Ten-Year Transmission System Development Plan. Development Plan for Meeting Current and Future Demand for Gaseous Fuels for 2020-2029* (hereinafter: NTSDP), agreed by the President of URE on 27 August 2019, was in force. This plan was described in the Report of the President of URE for 2019. An extract of the agreed NTSDP is available on the website of the TSO⁷⁹⁾.

Figure 24. Structure of investment expenditures incurred in 2020



Source: OGP Gaz-System S.A.

In 2020 OGP Gaz-System S.A. carried out investment tasks in the transmission system in two basic areas:

- a) development area: construction of new system facilities and modernization of the existing ones, aimed at increasing technical capabilities of the transmission system,
- b) safety area: modernization and restoration tasks due to technical or operational needs.

The degree of financial implementation of the investment by OGP Gaz-System S.A. amounted to 71.2% in relation to the level of expenditure agreed for 2020.

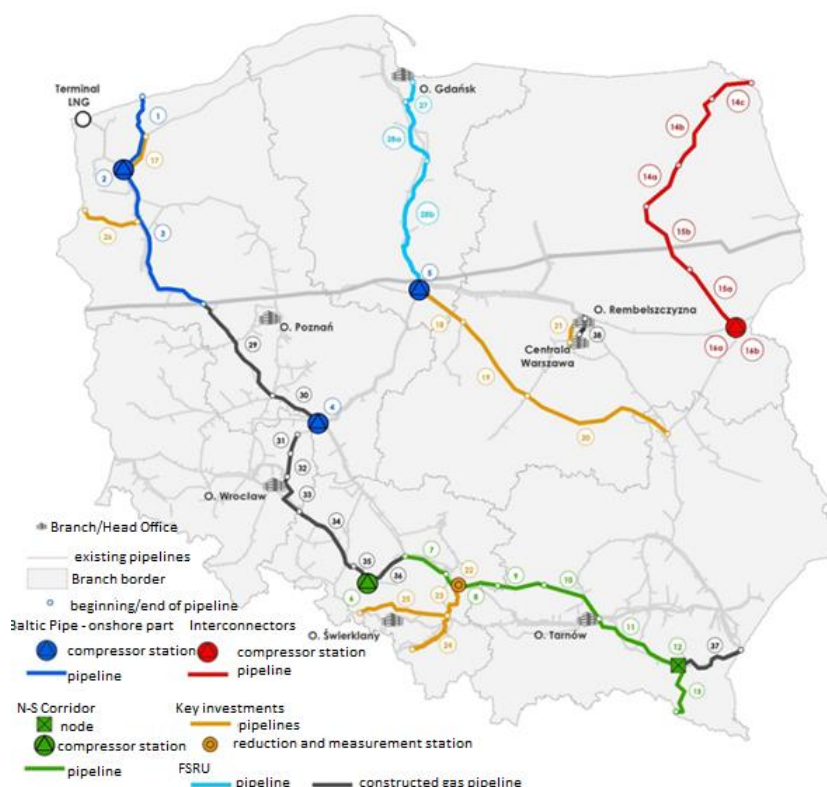
In 2020 OGP Gaz-System S.A. completed the construction and commissioned for operation:

- 1) Hermanowice – Strachocina gas pipeline with a length of approx. 71.7 km and a diameter of 700 mm;
- 2) Brzeg – Zębice – Kiełczów gas pipeline (section 1 of the Zdzieszowice – Wrocław gas pipeline) with a length of approx. 49.1 km and a diameter of 1,000 mm;
- 3) Zdzieszowice – Brzeg gas pipeline (section 2 of the Zdzieszowice – Wrocław gas pipeline) with a length of approx. 84.8 km and a diameter of 1,000 mm;
- 4) Tworóg – Kędzierzyn gas pipeline with a length of approx. 43.4 kilometres and a diameter of 1,000 mm.

As part of the implementation of the investment plan in the area of development in 2020 OGP Gaz-System S.A. carried out 261 tasks, of which 26 were fully completed. In the reporting year, OGP Gaz-System S.A. carried out 21 investment tasks in the area of new gas pipelines (8 tasks at the design stage and 13 investment tasks at the implementation stage).

As part of the investment plan in the area of safety in 2020, 172 tasks were completed.

⁷⁹⁾ <https://www.gaz-system.pl/strefa-klienta/do-pobrania/plan-rozwoju/>

Figure 25. Strategic / critical investments as at 31 December 2020

Source: OGP Gaz-System S.A.

Table 27. Critical investments in 2020

Programme	item	Name of key investment valid in 2020	Phase
Baltic Pipe onshore	1	Construction of a gas pipeline connecting the subsea gas pipeline with the national transmission system	start of construction works, supply phase
	2	Expansion of Goleniów compressor station	
	3	Goleniów-Lwówek gas pipeline DN=1000, L=188.3 km	
	4	Construction of Odolanów compressor station	
	5	Gustorzyn compressor station	
N-S corridor	6	Construction of Kędzierzyn compressor station M=23 MW	implementation
	7	Tworóg – Tworzeń gas pipeline DN=1000, L=55.2 km	implementation
	8	Pogórska Wola – Tworzeń gas pipeline section 3 Braciejówka – Tworzeń DN=1000, L=34.1 km	implementation
	9	Pogórska Wola – Tworzeń gas pipeline section 2 Pałecznicza – Braciejówka DN=1000, L=56 km	implementation
	10	Pogórska Wola – Tworzeń gas pipeline section 1 Pogórska Wola – Pałecznicza DN=1000, L=78.1 km	implementation
	11	Strachocina – Pogórska Wola gas pipeline DN=1000, L=97.4 km	implementation
	12	Construction of Strachocina compressor station stage I Node	implementation
	13	Poland – Slovakia gas pipeline DN=1000, L=61.3 km	implementation

Programme	item	Name of key investment valid in 2020	Phase
Interconnectors	14a	Poland – Lithuania gas pipeline, northern section Task 1 – section from ZZU Rudka – Skroda to ZZUP Konopki DN=700, L=60.6 km	implementation
	14b	Poland – Lithuania gas pipeline, northern section Task 2 – section from ZZUP Konopki to ZZUP Kuków DN=700, L=76.9 km	implementation
	14c	Poland – Lithuania gas pipeline, northern section Task 3 – section from ZZUP Kuków to Polish-Lithuanian border DN=700, L=47.4 km	implementation
	15a	Poland – Lithuania gas pipeline, southern section Task 1 – section from TG Hołowczyce to the border of the Masovian voivodship DN=700, L=72.5 km	implementation
	15b	Poland – Lithuania gas pipeline, southern section Task 1 – section from the border of the Masovian voivodship to Rudki – Skrody DN=700, L=84.7 km	implementation
	16a	Expansion of TG Hołowczyce II to compress gas to pressure of 8.4 MPa	tender (WRB/ WNI)
	16b	New compressor unit TG Hołowczyce	design
Critical	17	Szczecin – Gdańsk gas pipeline (stage V Goleniów – Płoty) DN=700, L=41.9 km	implementation
	18	Gustorzyn – Wronów gas pipeline (stage I Gustorzyn – Leśniewice) DN=1000, L=54.1 km	design
	19	Gustorzyn – Wronów gas pipeline (stage II Leśniewice – Rawa Mazowiecka) DN=1000, L=100 km	design
	20	Gustorzyn – Wronów gas pipeline (stage III Rawa Mazowiecka – Wronów) DN=1000, L=154 km	design
	21	Rembelszczyzna – Mory gas pipeline DN=700, L=29 km	design
	22	System Reduction and Measurement Station Tworzeń in the area of Sławków (stage I)	design
	23	Oświęcim – Tworzeń gas pipeline together with the System Reduction and Measurement Station Oświęcim (stage II) DN=700, L=45 km	design
	24	Skoczów – Komorowice – Oświęcim gas pipeline (stage III) DN=500, L=53 km	design
	25	Racibórz – Oświęcim gas pipeline together with the System Reduction and Measurement Station Suszec and a branch DN 300 DN=700, L=110 km	design
	26	Connection to the transmission network of Elektrownia Dolna Odra power plant DN=700, L=63 km	design
FSRU	27	Bogatka – Kolnik gas pipeline	design
	28a	Kolnik – Gustorzyn gas pipeline section 1	design
	28b	Kolnik – Gustorzyn gas pipeline section 2	design

Programme	item	Name of key investment valid in 2020	Phase
N-S corridor	29	Lwówek – Odolanów gas pipeline (stage I Lwówek – Krobia) DN=1000, L=113.4 km	gas pipeline constructed in 2019
	30	Lwówek – Odolanów gas pipeline (stage I Krobia – Odolanów) DN=1000, L=54.1 km	gas pipeline constructed in 2018
	31	Czeszów – Wierzchowice gas pipeline DN=1000, L=14.1 km	gas pipeline constructed in 2017
	32	Czeszów – Kielczów gas pipeline DN=1000, L=32.5 km	gas pipeline constructed in 2018
	33	Zdzieszowice – Wrocław gas pipeline (section Brzeg – Zębice – Kielczów) DN=1000, L=49.1 km	gas pipeline constructed in 2020
	34	Zdzieszowice – Wrocław gas pipeline (section Zdzieszowice – Brzeg) DN=1000, L=84.8 km	gas pipeline constructed in 2020
	35	Zdzieszowice – Kędzierzyn Koźle gas pipeline DN=1000, L=17.3 km	gas pipeline constructed in 2019
	36	Tworóg – Kędzierzyn Koźle gas pipeline DN=1000, L=43.4 km	gas pipeline constructed in 2020
	37	Hermanowice – Strachocina gas pipeline DN=700, L=71.7 km	gas pipeline constructed in 2020

Source: OGP Gaz-System S.A.

In 2020 OGP Gaz-System S.A. applied to the President of URE to update Part B of the draft development plan.

In October 2020, the President of URE agreed on Part B of the draft development plan of OGP Gaz-System S.A. entitled NATIONAL TEN-YEAR DEVELOPMENT PLAN; DEVELOPMENT PLAN FOR MEETING THE PRESENT AND FUTURE DEMAND FOR GASEOUS FUELS; update of Part B for 2021-2030. This plan covers investments concerning the transmission infrastructure owned by SGT EuRoPol GAZ S.A, on which OGP Gaz-System S.A. performs the operator function in the ISO formula. The level of investment expenditure on the transmission network entrusted to OGP Gaz-System S.A. was agreed for the years 2021-2023.

The investment tasks included in this plan are aimed at maintaining full technical efficiency through replacement investments and necessary modernization works. Planned investments include modernization of equipment, installations and facilities of the compressor station, including control systems, security and data archiving systems, modification and modernization of communication systems, as well as tasks resulting from technical reviews and environmental inspections and tasks improving occupational health and safety conditions.

Works carried out by OGP Gaz-System S.A. in 2020 on the construction of interconnectors

In the last decade, several significant investment projects of fundamental importance for the security of natural gas supply to Poland were implemented, concerning the establishment of new cross-border connections or the expansion of the functionality of existing interconnections, which opens up additional possibilities for gas supply to Poland from alternative directions. These activities included the expansion of interconnections on the border with Germany (Mallnow, Lasów) and the construction of a connection on the border with the Czech Republic (Cieszyn), as well as the implementation of a number of tasks enabling the putting to use of the LNG regasification terminal in Świnoujście in 2016.

The process of expanding cross-border connections, despite its undoubted contribution to the situation improvement, has not yet been completed and requires continuation. Cooperation with other countries in this area is largely supported by EU programmes for so-called Project of Common Interest (PCI). The status of PCI is assigned by means of an agreement between the company planning to undertake the project and the Member State (or companies and Member States), with the participation of the EU institutions (in particular the European Commission). Key cross-border infrastructure projects linking the energy systems of EU Member States that are intended to help the EU achieve its energy policy and climate objectives – affordable, secure and sustainable energy for all citizens and the long-term decarbonization of the economy in accordance with the Paris Agreement – may be recognized as PCIs.

The PCI list is a specification of cross-border energy infrastructure projects of strategic importance to the EU, updated every two years. Investments listed on it can, among other things, count on European co-financing, in the form of a grant awarded by a dedicated EU agency (INEA) or other form of support (for instance national incentives) and benefit from a fast-track procedure for issuing permits and administrative decisions (for instance one-stop-shop principle).

12 February 2020 the European Parliament adopted the fourth list of projects of common interest⁸⁰. Among the projects important for the security of supply of our region are the Baltic Pipe gas pipeline, the FSRU terminal in Gdansk for unloading LNG, as well as interconnections with Slovakia and Lithuania. The Poland-Czech Republic interconnection project, which until now had the PCI status on previous European Commission lists, is not on the list.

The Baltic Pipe project (connection Poland-Denmark, Norwegian corridor)⁸¹

The parties to the Baltic Pipe project are OGP Gaz-System S.A. and Energinet, the Danish transmission system operator. The Poland-Denmark gas interconnection project involves the construction of a gas pipeline to connect the natural gas transmission systems of Poland and Denmark. The purpose of the Norwegian Corridor (in which, in addition to OGP Gaz-System S.A. and Energinet, the Norwegian TSO Gassco participates) is to create the technical possibility of transmitting gas from the Norwegian continental shelf via the Danish transmission system and the undersea connection from Denmark to Poland (Baltic Pipe) and, in a longer perspective, to other countries of Central and Eastern Europe and the Baltic Sea region.

The Baltic Pipe PL programme consists of two key areas:

- the offshore part which involves the construction of an offshore gas pipeline connecting the Danish transmission system with the Polish transmission system,
- the onshore part involving the construction of a new infrastructure and the expansion of the existing infrastructure in Poland to off-take gas (construction of compressor stations and gas pipelines).

Figure 26. Route outline of the offshore gas pipeline from Denmark to Poland



Source: OGP Gaz-System S.A.

⁸⁰ https://ec.europa.eu/energy/topics/infrastructure/projects-common-interest/key-cross-border-infrastructure-projects_en#the-pci-lists

⁸¹ <https://www.gaz-system.pl/nasze-inwestycje/integracja-z-europejski-systemem/baltic-pipe/>

For the offshore part, a set of necessary administrative decisions was obtained in 2020. On 9 January 2020 a location decision was obtained for the offshore part and the onshore part in Poland. The construction permit in Poland was obtained on 2 April 2020 for the onshore part and on 22 April 2020 for the offshore part. On 7 May 2020 the building permit in Sweden was obtained.

Key procurement proceedings were also completed during the reporting period. On 9 January 2020, the contract for the supply of pipes was concluded. In April, the production of steel for the production of plates and the production of the plates themselves began, and in May the application of the internal and external protective coatings started. In early July, the transport of the pipes from Germany to the concrete application plant in Scotland began, where concreting began at the end of the month. In December 2020, pipe production at the steel mills was completed (internal coating and final pipe quality control were in progress). In relation to the above, in March 2020 OGP Gaz-System S.A. signed an agreement to supervise the production and supply of pipes.

On 30 April 2020, the contract for onshore and offshore construction works was signed. At the end of July, the contract for supervision of construction works was signed and at the beginning of August the contract for environmental supervision during the construction phase of the offshore gas pipeline was concluded.

In the period 11 August 2020 – 10 September 2020 necessary decisions/agreements were obtained from the Danish, Swedish and Polish authorities to perform UXO (unexploded ordnance, wrecks, unidentified objects on the seabed) surveys in waters under jurisdiction of these countries. The first campaign of onshore, nearshore and offshore UXO surveys in Poland and Denmark was completed in 2020. The UXOs were removed in Denmark and Poland.

On 1 September 2020, the handover of the construction sites in Poland and Denmark took place. The construction sites were fenced, the area was cleared and levelled. The driving of the walls to secure the shaft for excavation of the microtunnel was completed. In Poland, the material for the working platform in the area of the shaft entrance to the microtunnel was poured and compacted.

For the onshore part of the project, a set of necessary administrative decisions was obtained in 2020. A construction permit for the infrastructure connecting the offshore gas pipeline with the National Transmission System was obtained in February and March. A construction permit for the Goleniów-Lwówek gas pipeline sections was obtained in January and February. In the months mentioned above, construction permits were also obtained for Goleniów, Gustorzyn and Odolanów gas compressor stations. In the reporting period, a set of execution designs for the aforementioned investments was also approved (March-May) and key procurement procedures for the execution of construction works and supervision were completed. At the end of 2020, construction sites were handed over to the contractors for construction works and deliveries of some fittings for the aforementioned investments commenced. As part of the construction works, the following activities were carried out:

1. the gas pipeline connecting the Baltic Pipe with the national transmission system:
 - a) work was completed on notifying all owners/users/tenants as required by the location decision of the planned date of commencement of construction works,
 - b) the staking of the gas pipeline axis and the installation strip was completed,
 - c) works were commenced on preparing storage yards for deliveries;
2. the Goleniów – Lwówek gas pipeline:
 - a) work was carried out on notifying all owners/users/tenants as required by the location decision of the planned date of commencement of construction works,
 - b) the staking of the construction and installation strip, including the gas pipeline axis for both stages, was completed,
 - c) part of the storage yards for deliveries was taken over
 - d) sapper surveys, tree felling outside forest areas, humus removal, pipe and bend cutting, bending of bends, uncovering of active gas pipelines, construction of exits and passages over obstacles, archaeological supervision in the dehumidified areas were commenced;
3. Gas compressor stations:
 - a) storage yards for deliveries were received and work was underway to prepare a storage area for deliveries at the site,
 - b) works related to the organization of the construction site began,
 - c) the construction contractor started work on preparing quality documentation and a work schedule.

FSRU Terminal at Zatoka Gdańska⁸²⁾

The new LNG Terminal is an installation planned to be located in the Gdansk region – specifically a floating storage regasification unit (FSRU) – capable of unloading LNG, in-process storage and regasification of LNG and the provision of additional services. As part of this investment project, the expansion of the national transmission system is also planned, which will allow efficient gas distribution from the Gdansk region to customers both in Poland and in the region. The new LNG Terminal will enable the off-take of at least 4.5 bn Nm³ of gas per year, with the possibility to increase the regasification capacity depending on market developments and the growing demand for natural gas in the country and the region.

The scope of the Programme includes:

- Bogatka – FSRU gas pipeline DN 1000 with a length of approx. 7 km,
- Kolnik – Bogatka gas pipeline DN 1000 with a length of approx. 35 km
- Kolnik – Gustorzyn gas pipeline DN 1000 with a length of approx. 214 km
- undersea gas pipeline connecting the FSRU with the landing site DN1000.

In 2020, design work for the gas pipelines in the onshore part began. In February 2020, a contract was signed for designing and obtaining administrative decisions for the Kolnik-Gdansk gas pipeline with the FSRU connection part. On the other hand, contracts for the design of the gas pipeline from Gustorzyn to Kolnik were signed in December 2020.

In the period from 20 July to 28 September 2020, market participants had an opportunity to take part in a non-binding market screening for new transmission capacity in the national transmission system (NTS) related to the construction of the FSRU terminal in the Zatoka Gdanska.

The procedure confirmed market interest in the construction of a new entry point to the gas system and is of great importance in the context of launching a binding capacity allocation procedure as the next stage of the investment process in the FSRU project.

Poland-Slovakia interconnection project (part of the North-South corridor)⁸³⁾

The aim of the project is the construction of a new cross-border gas pipeline to connect the natural gas transmission systems of Poland and Slovakia. The parties to the project are OGP Gaz-System S.A. and the Slovak transmission system operator – Eustream a.s. The Poland-Slovakia interconnection is part of the European initiative related to the construction of the North-South corridor. This connection is an important element of the North-South Gas Interconnection in Central Eastern and South Eastern Europe (NSI East Gas) and will contribute to increased regional security of supply and integration of gas markets in the region. As a result of the project, countries in the region will gain direct access to new sources of gas supply from the North – such as fully operational LNG terminals in the Baltic Sea (Swinoujscie LNG Terminal, Klaipeda LNG via the Poland-Lithuania Interconnector) and from Norway (from the planned Baltic Pipe), as well as from the South. This will improve the efficiency of gas markets in the CEE region. The project will also have a positive impact on enhancing cooperation between Poland and Slovakia.

The interconnector under construction will connect the transmission systems of both countries: the Slovak gas compressor station in Veľké Kapušany with the gas interconnection point in Strachocina (Podkarpackie voivodship). The Poland-Slovakia gas interconnection project also includes the necessary expansion of the internal transmission network in south-eastern Poland and the construction of a metering station near the SK-PL border on the Slovak side. The length of the entire connection will be 164 km.

Construction work on the Poland-Slovakia gas interconnection continued in 2020. Both operators plan to complete the interconnection in 2022.

Gas Interconnector Poland-Lithuania (GIPL) project⁸⁴⁾

The construction of the cross-border gas interconnector between Poland and Lithuania aims to connect the natural gas transmission systems of Poland and Lithuania, and consequently also the other

⁸²⁾ <https://www.gaz-system.pl/nasze-inwestycje/krajowy-system-przesylowy/program-fsru/>

⁸³⁾ <https://www.gaz-system.pl/nasze-inwestycje/integracja-z-europejski-systemem/polska-slowacja/>

⁸⁴⁾ <https://www.gaz-system.pl/nasze-inwestycje/integracja-z-europejski-systemem/polska-litwa/>

Baltic States, to the European gas network. This interconnection is in line with the main objectives of the EU energy policy (a priority infrastructure project under the Baltic Energy Market Interconnection Plan for Gas – BEMIP) and is intended to address security of gas supply issues and end the isolation of the Baltic States from the EU gas market. The parties directly responsible for its implementation are: OGP Gaz-System S.A. and AB Amber Grid (operator of the Lithuanian transmission system). The Poland-Lithuania gas interconnection is to be 343 km long on the territory of Poland and 165 km long in Lithuania.

In July 2020 OGP Gaz-System S.A. signed the last necessary contracts for the execution of construction works on the entire section of the cross-border gas interconnector with Lithuania. The date of putting the Poland-Lithuania interconnector project into operation is planned for 2022.

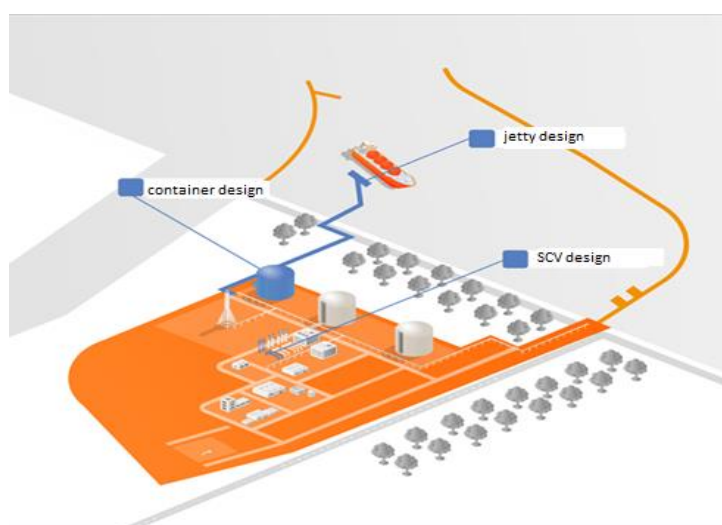
It should be remembered that an important element of the Poland-Lithuania gas interconnector project is also the gas compressor station in Gustorzyn. This facility will be responsible for enabling the distribution of gas from, among others, Norway (Baltic Pipe) towards the compressor station and then directing this stream, among others, towards Lithuania (GIPL). In February, a permit was issued for the construction of a gas compressor station in Gustorzyn and at the end of 2020 OGP Gaz-System S.A. concluded agreements with the contractor for construction works and investor supervision over the construction of the Gustorzyn compressor station.

In addition, between 4 November and 7 December 2020 OGP Gaz-System S.A. together with the Lithuanian operator AB Amber Grid conducted a non-binding market survey procedure for GIPL. The aim of the procedure was to obtain additional information from market participants on key factors that have a significant impact on defining optimal access conditions to the GIPL in both flow directions. Particularly important issues in this process were price setting (tariff level) at the GIPL and possible capacity allocation methods. A summary of the non-binding market survey for new GIPL capacity can be found on OGP's website⁸⁵⁾.

Expansion of the LNG terminal in Świnoujście⁸⁶⁾

The objective of the LNG Terminal expansion is to increase the regasification capacity from the current 5 bcm to 7.5 bcm of natural gas annually and to introduce new functionalities of this installation. The terminal expansion includes four tasks: increasing the regasification capacity of the technological installation by additional SCV equipment (methane pumps, regasifiers); additional capacity by constructing a third liquefied natural gas tank; increasing the flexibility of deliveries to the terminal by constructing a second jetty and diversifying land transport by an LNG handling installation with a railway siding.

Figure 27. Scheme of extension of the LNG Terminal in Świnoujście



Source: OGP Gaz-System S.A.

⁸⁵⁾ OGP website: www.gaz-system.pl/centrum-prasowe/aktualnosci/informacja/arttykul/203292/

⁸⁶⁾ <https://www.polskielng.pl/terminal-Ing/program-rozbudowy-terminalu-Ing/>

In 2020, a number of works related to the Expansion Programme of the LNG Terminal in Świnoujście were performed, including in particular the completion of the main tendering procedures for the selection of expansion contractors (SCV project, onshore part, offshore part) and the Contract Engineer, conducting investor deliveries, obtaining approvals and administrative permits, as well as carrying out preparations for the start of the next expansion stage consisting in the execution of contracts for its performance.

The implementation of all these projects will lead to the improvement of energy security, including by ensuring uninterrupted gas supplies in the event of supply disruptions, will increase the number of possible gas supply directions and will affect the integration and competitiveness of gas markets in the countries of this part of Europe. It will also contribute to the development of the transit functionality of the national transmission system.

Complaints against a transmission, storage, LNG or distribution system operator concerning its obligations under Directive 2009/73/EC

The President of URE is the body responsible for investigating complaints against energy companies. Any entity may also submit to the President of URE a complaint against the activity of energy companies. In such a situation, the President of URE assesses whether the activity of a given company violated the provisions of the applicable acts of common law, that is EU regulations, laws, national regulations or decisions issued by the President of URE, for example instructions for network traffic and operation.

In 2020, no complaints were filed against transmission, storage, LNG or distribution system operators regarding their obligations under Directive 2009/73/EC.

4.1.4. Implementation of network codes and guidelines

TAR NC

In 2020, work on fulfilling obligations under the TAR NC continued. That regulation entered into force on 6 April 2017 with the exception of Chapters VI and VIII, which are applicable from 1 October 2017, and Chapters II, III and IV, which are applicable from 31 May 2019. The TAR NC is one of the so-called 'network codes', the procedure for the development and adoption of which is provided for in Article 6 of Regulation 715/2009, which is binding in its entirety and directly applicable in all EU Member States.

The financial stability of gas TSOs is to be strengthened by the so-called regulatory account introduced by the TAR NC. Thanks to its application, it will be possible to settle and include in the calculation of tariffs for subsequent years the difference between revenues anticipated before the beginning of the tariff year and actual revenues of the TSO in that period, as part of the reconciliation of the regulatory account referred to in Article 20 of the TAR NC.

Thanks to this mechanism, the risk of transferring the effects of incorrect forecasts regarding, among others, planned long-term or short-term capacity orders, to the transmission system users will be eliminated. The first tariff period covered by this regulation was the year 2020.

In the calculation of tariffs for gas transmission services in 2020 and 2021 performed with the use of the transmission network owned by OGP Gaz-System S.A. and the network owned by SGT EuRoPol GAZ S.A.⁸⁷⁾ the provisions of the *Reference Price Methodology No 1/OGP for the own transmission network of Operator Gazociągów Przesyłowych Gaz-System S.A. for the period: from 1 January 2020 to 31 December 2022*⁸⁸⁾ and the *Reference Price Methodology No 1/SGT for the transmission network owned by the energy company System Gazociągów Transitowych EuRoPol GAZ S.A. with its registered office in Warsaw for the period from 1 January 2020 to 31 December 2022* were applied⁸⁹⁾.

⁸⁷⁾ OGP Gaz-System S.A. performs the function of a gas transmission system operator for the network owned by the energy company SGT EuRoPol GAZ S.A. pursuant to the decision of the President of URE of 17 November 2010, ref. no: DPE-4720-4(8)/2010/6154/BT, while the tariff for gas transmission services is calculated by the owner of the network.

⁸⁸⁾ <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/wyznaczanie-cen-referen/8186,Kodeks-sieci-dotyczacy-zharmonizowanych-struktur-taryf-przesylowych-dla-gazu.html>

⁸⁹⁾ <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/wyznaczanie-cen-referen/8186,Kodeks-sieci-dotyczacy-zharmonizowanych-struktur-taryf-przesylowych-dla-gazu.html>

The above reference price methodologies were approved in accordance with the provisions of Article 27(4) of the TAR NC, according to which the President of URE, within 5 months following the end of the final consultations (that is until 31 March 2019), was obliged to take and publish a motivated decision on the reference price methodologies covering the elements specified in Article 26(1) of the TAR NC with respect to the transmission network of OGP Gaz-System S.A. and the network owned by SGT EuRoPol GAZ S.A.

In the period from 14 October to 14 December 2020 the President of URE consulted for the third time on the issues referred to in Article 28 of the TAR NC concerning, inter alia, multipliers and seasonal factors for short-term gaseous fuel transmission services, levels of discounts at entry points from the LNG terminal and discounts used to calculate base prices for standard interruptible capacity products⁹⁰). The consultations concerned OGP Gaz-System S.A.'s network and the transmission network owned by SGT EuRoPol GAZ S.A. During the consultations, opinions were received from: PGNiG S.A. and Gas Storage Poland Sp. z o.o.

A decision on the aspects referred to in Article 28(1)(a) to (c) of the TAR NC, considering the requirements of Article 41(6)(a) of Directive 2009/73/EC and the positions of the regulatory authorities of the directly connected EU Member States was issued on 5 March 2021⁹¹). Its provisions were included in the tariff calculation for 2022.

Pursuant to Article 28(2) of the TAR NC, the aforementioned consultation shall take place during each tariff period. As defined in Article 3(23) of the TAR NC, a tariff period means the time period during which a particular level of reference price is applicable, which minimum duration is one year and maximum duration is the duration of the regulatory period. As the tariffs for gas transmission services are approved for a period of 12 months, this consultation is carried out every year. On 6 March 2020 the President of URE issued and published a communication⁹²) regarding the previous consultations referred to in Article 28(1)(a)-(c) of the TAR NC. This communication was taken into account in the calculation of tariffs for 2021.

In addition, OGP Gaz-System S.A. published on its website the information referred to in Article 30 of the TAR NC⁹³) concerning Tariff No 14 (for 2021) 30 days before the start of the tariff period. OGP Gaz-System S.A. was designated by the decision of the President of URE of 27 October 2017 to perform these publications.

Implementation of obligations under the CAM NC

Fulfilling the provisions of Article 6 of the CAM NC, OGP Gaz-System S.A. made available the maximum technical capacity at interconnection points and regularly conducted analyses of technical capacity at the aforementioned points in order to maximize the offer of capacity to market participants. It then agreed the results of these analyses with the operators of the cooperating systems. In accordance with Article 7 of the CAM NC, the TSO exchanged information on nominations and renominations with TSOs of adjacent transmission systems and checked the consistency of nominations/renominations at individual interconnection points. The TSO also exchanged information with adjacent system operators on planned works in the systems that may affect the execution of gas transport through particular interconnection points (operators agree and synchronize schedules of planned works). The procedures for information exchange between operators are agreed in operator agreements. The service provided on an interruptible basis for interconnection points was offered according to the rules set out in the CAM NC – for products with a duration of more than one day, in case the corresponding monthly, quarterly or annual product offered on a firm basis was sold at an auction premium, was sold out or was not offered. Daily products were offered when the corresponding firm capacity products were sold out or were not offered. The bundled capacity under the terms of Article 19 of the CAM NC in 2020 was offered at interconnection points – Cieszyn (connection with the Czech Republic) and PWP (connection of

⁹⁰) <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/mnozники-wspolczynniki-2/9090,Rynek-gazu-Prezes-URE-rozpoczyna-konsultacje-dotyczace-wskaznikow-do-przesylowyc.html>

⁹¹) Information of the President of URE No 11/2021 on the level of multipliers, seasonal factors and discounts referred to in Article 28(1)(a)-(c) of the Tariff Code, considered in the calculation of tariffs for gas transmission services for the period from 1 January 2022 to 31 December 2022, <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/mnozники-wspolczynniki-2/9090,Rynek-gazu-Konsultacje-Prezesa-URE-dotyczace-wskaznikow-do-przesylowych-taryf-ga.html>

⁹²) <https://www.ure.gov.pl/pl/biznes/taryfy-zalozenia/-2019/8439,Konsultacje-w-zakresie-rabatow-mnozownikow-i-wspolczynnikiow-sezonowych-do-taryf-na.html>

⁹³) <https://www.gaz-system.pl/strefa-klienta/taryfa/publikacja-nc-tar/>

the national transmission system with the transit system) on the GSA auction platform. Since 6 July 2020, in accordance with ACER Decision 10/2019, the interconnection capacity at the Polish-German border at the points GCP Gaz-System/ONTRAS and Mallnow has been offered as bundled on the RBP auction platform. In 2020, the process of ordering capacity on the GSA and RBP platforms proceeded smoothly, there were no situations forcing the application of the emergency procedure.

BAL NC

The year 2020 was the first full year in which the target market model resulting from the provisions of the BAL NC was applied. This means that the imbalance charge imposed on network users is set based on the provisions of Chapter V of the BAL NC (Articles 19-23), including in particular Article 22 of that Regulation, according to which the marginal sell price and the marginal buy price are determined. Indeed, the BAL NC, which entered into force in April 2014, provided for the possibility of provisional measures. These instruments were intended to allow market participants to adapt to the target balancing model introduced by this Regulation. Every year the President of URE approved the report on the application of interim measures, that is the balancing market platform (applied in all three balancing zones), the interim imbalance charge (applied in the nitrogenous gas balancing zone and the TGPS) and imbalance tolerance (applied in the high-methane gas balancing zone). The report also provided an indication as to the further application of the measures. On 1 April 2019, their application was terminated. Indeed, the BAL NC provided that the interim measures (with the exception of the balancing market platform) could be applied no later than until 19 April 2019r.

In addition, in 2020 the President of URE issued two important decisions concerning the conduct of balancing activities by TSOs.

First, the President of URE again authorized the TSO to trade gas on the platform in the GASPOOL balancing zone (Federal Republic of Germany) and to transport gas to and from this balancing zone for balancing activities in the balancing zone of the Transit Gas Pipeline System (TGPS) and in the balancing zone of the National Transmission System for high-methane gas. In addition, the TSO may trade gas on the territory of the Czech Republic for the purpose of balancing the National Transmission System for high-methane gas. The possibility to buy or sell standard short-term products by the TSO is an additional alternative to the transactions concluded on the trading platform operated by TGE S.A., enabling the TSO to undertake effective balancing activities. Finally, the TSO may undertake balancing activities within the balancing zone of the National Transmission System for high-methane gas in order to balance the TGPS zone. Pursuant to the decision of the President of URE, it is also allowed to transport gas to and from these adjacent balancing zones in order to perform balancing tasks.

Balancing activities in adjacent balancing zones may be undertaken by the operator if it is not possible to use the trading platform on which the TSO is obliged to carry out balancing activities for a given balancing zone or if it is necessary to undertake balancing activities related to a given location at the border with the GASPOOL balancing zone, the Czech Republic balancing zone or at the Interconnection Point between the TGPS and the balancing zone of the National Transmission System for high-methane gas. The decision to consent to balancing activities in adjacent balancing zones is effective from 1 October 2020 6:00 a.m. to 1 October 2021 6:00 a.m. In 2020 the TSO did not undertake balancing activities in the adjacent balancing zone.

The second important decision issued by the President of URE was the decision issued in May 2020 approving changes to the Mechanism for Ensuring Cost Neutrality of Balancing Activities. At the outset, it should be mentioned that as of 1 January 2019, a new methodology for calculating neutrality charges for balancing bearing the name *Mechanism for ensuring cost neutrality of balancing activities of Transmission System Operator Gaz-System S.A.* is in force due to the entry into force of Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a network code for gas balancing in transmission networks. This methodology is approved by the President of URE pursuant to Article 30(2) of the BAL NC. The new Mechanism regulates the following issues: (1) costs and revenues to be taken into account under balancing neutrality; (2) balancing neutrality cash flows; mechanism to adjust the balancing neutrality charge rate; (4) credit risk management arrangements. By decision of 27 May 2020, amendments were made to the Mechanism approved by the President of URE. The changes mainly concerned the amount and type of safeguards, for instance an additional safeguard threshold of PLN 150,000 was introduced. The catalogue of safeguards that may be submitted by the network user was amended and clarified. A rule was adopted whereby the TSO may waive the request for safeguard

supplementation in a situation where the amount of the required safeguard in relation to the amount established is lower by no more than PLN 1,000. It was deemed that there is no need to initiate a suspension procedure in a situation where the amount of missing safeguard is negligible. The mechanism has also been supplemented by the rules of proceeding in the case of resumption of gaseous fuel transmission. In the case of resumption of gaseous fuel delivery, the network user is obliged to provide a higher level of safeguard in the period of three consecutive months starting from the date of resumption of the transmission service. The decision of the President of URE came into force on 1 June 2020 (with the exception of the provision introducing an additional safeguard threshold of PLN 150,000, which is effective from 1 October 2020).

INT NC

In 2020 the TSO continued its cooperation with the Czech operators NET4GAS, s.r.o. and the German operators GASCADE Gastransport GmbH and Ontras Gastransport GmbH, in accordance with the provisions of the inter-operator agreements, and continued to fulfil its obligations under the INT NC by:

- publication of the points at which the current operational balancing account (OBA) agreements are in force⁹⁴⁾,
- implementation of agreements on the operation of the operational balancing account (OBA) containing detailed arrangements on the principles of the nomination consistency checking process, the principles of gas volume allocation, the communication procedure in the event of exceptional events,
- promoting common solutions for the electronic exchange of information relating to transmission contracts based on the Electronic Document Interchange (EDI) standard, in the version developed for the gas industry called EDIG@S⁹⁵⁾,
- promotion of common data exchange arrangements based on the AS4 protocol⁹⁶⁾,
- publication of daily data (in accordance with Article 16 of the INT NC Regulation) for each interconnection point on Wobbe index and gross calorific value⁹⁷⁾.

All the above information is also available in English.

In addition, in 2020, the operators OGP Gaz-System S.A. and LLC Gas Transmission System Operator of Ukraine (hereinafter: LLC Gas TSO of Ukraine), after consultations, signed a new Agreement in accordance with the provisions of the INT NC. The rules under this Agreement came into force with the gas day on 1 July 2020. The new Agreement specifies the principles of inter-operator cooperation for the provision of transmission services at the interconnection between the Polish and Ukrainian systems. So far, gas transmission has taken place at points: Drozdowicze (on the territory of Ukraine) and Hermanowice (on the territory of Poland). The change that is the subject of the Agreement concerns offering gas transmission at a single point, the so-called VIP point, that is GAZ-SYSTEM GCP/UA TSO, which connects two interconnection points connecting the same two neighbouring entry-exit systems. The Agreement defines the terms and conditions of mutual cooperation in relation to:

- gas transmission and border station operation,
- the principles for measuring the quantity and quality of gas transported,
- the rules for exchange of information regarding the quantities of transmission services performed (checking compliance of nominations – matching),
- specification of principles and parties responsible for controlling the physical flow of gaseous fuel,
- the principles of cooperation in relation to the offered capacities management in the GAZ-SYSTEM S.A. GCP / TSO,
- communication procedures in the case of exceptional events.

⁹⁴⁾ <http://www.gaz-system.pl/strefa-klienta/do-pobrania/wymiana-danych/punkty-oba/>

⁹⁵⁾ <http://www.gaz-system.pl/strefa-klienta/do-pobrania/wymiana-danych/edigs/>

⁹⁶⁾ <http://www.gaz-system.pl/strefa-klienta/do-pobrania/wymiana-danych/protokol-as4/>

⁹⁷⁾ <https://swi.gaz-system.pl/swi/public/#!/sgt/wobbeDaily?lang=pl>

4.2. Competition and market functioning

4.2.1. Wholesale market

Natural gas acquisition and flows

Gas purchases from abroad, in the amount of 171.8 TWh, were supplemented with gas from domestic sources in the amount of 41.8 TWh. Total gas supplies from abroad in 2020 included imports and intra-Community acquisitions.

Table 28. Structure of gas supplies in 2020

Specification	Quantity [TWh]
1. Supplies from abroad	171.8
2. Extraction from domestic sources	41.8
3. Change in the stocks level	4.8

Source: URE on the basis of data of OGP Gaz-System S.A. and gas-trading companies and the Ministry of Climate.

In 2020, 533.4 TWh of high-methane gas and 8.2 TWh of nitrogenous gas flew through the Polish transmission system. Most of the high-methane gas was transported in transit using the Yamal pipeline. The table below presents the most important directions of gas flow in the transmission system.

Table 29. Balance of trade flows* of high-methane and nitrogenous gas in the transmission network (including the Transit Gas Pipeline System) in 2020 [TWh]

Gas type		High-methane gas	Nitrogenous gas
Entry to the system in total		533.4	8.2
Out of which:	mines and denitrification plants	22.2	3.8
	warehouses	30.4	0.0
	non-EU supplies (without LNG)	396.8	0.0
	supplies from the EU	42.4	0.0
	LNG terminal	40.0	0.0
	other (entries from distribution)	1.6	4.4
Exit from the system in total		533.4	8.2
Out of which:	mixing plants and denitrification plants	0.0	1.6
	warehouses	25.6	0.0
	to the distribution network	139.2	6.4
	to final customers on the transmission network	55.3	0.2
	supplies to the EU (MWh)	293.9	0.0
	deliveries outside the EU	15.5	0.0
	operator's own needs (including change in operator accounts)	3.9	0.0

* The data refers to the amount of gas injected into the network and off-taken from the transmission network as a result of execution of transmission contracts by the TSO. The data may differ from physical flows in the system.

Source: URE on the basis of data of OGP Gaz-System S.A. and SGT EuRoPol GAZ S.A.

Trading in natural gas

As at the end of 2020, 185 entities held a licence for trade in gaseous fuels, as compared to 186 entities as at the end of 2019, while 94 undertakings actively participated in the trade in natural gas. Gas trading undertakings from outside the GK PGNiG S.A. group acquired 88.4 TWh of natural gas. The data on purchase and sale of gas by trading companies are presented in the table below. This value does not incorporate acquisition for own needs by trading companies under monitoring and gas acquisition by energy companies which are large final customers at the same time.

Table 30. Volumes of gas acquired and sold under wholesale trading by the surveyed trading companies in 2020 [TWh]

	Total	GK PGNiG	Other trading companies
Gas acquisition (purchase and extraction)	428.5	340.1	88.4
Wholesale sales of gas	167.5	121.5	46.0

Source: Data of the Ministry of Climate and URE.

4.2.2.1. Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

The sale and purchase of gaseous fuels on the Polish wholesale market takes place primarily on the commodity exchange operated by TGE S.A. (Commodity Market – CM and as of 1 May 2020 – Organized Trading Facility – OTF). Exchange market participants are mainly gas fuel trading companies and the largest final customers which can act independently after concluding an appropriate agreement with TGE S.A., becoming members of CM or OTF, or through brokerage houses or through other entities having the status of a CM and OTF member from its own group which may conclude transactions for the benefit of other entities belonging to the same group.

Stock exchange trading takes place by concluding sales agreements (transactions) between members of CM and OTF.

In 2020 TGE S.A. operated the following gas markets: Intra-day Market (IDMg), Day-Ahead Market (DAMg) and Commodity Forward Instruments Market (CFIMg). Sales of natural gas were also conducted in the auction system. On 1 May 2020 the Commodity Forward Instruments Market was transformed into the Gas Forwards Market of the Organized Trading Facility (GFM OTF).

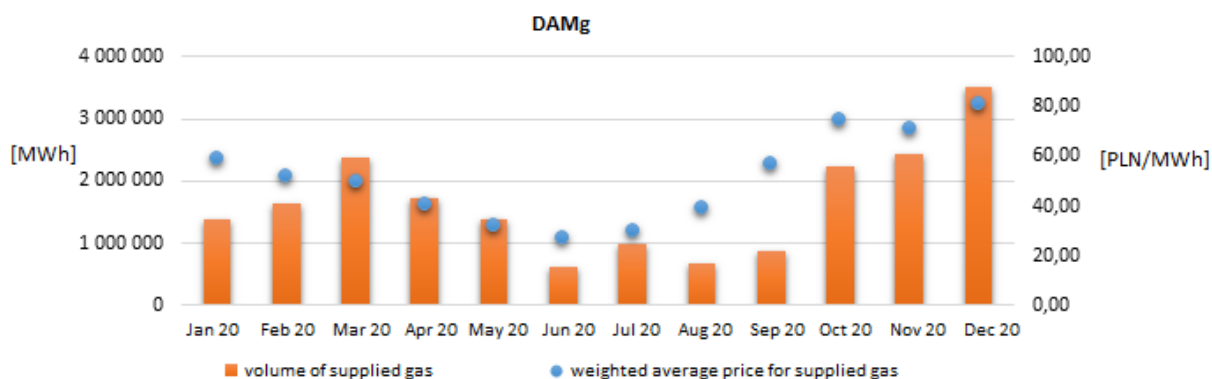
Subject of trade on the CFIM/GFM OTF in 2020 was the supply of gas in equal volumes at all hours of the delivery period in line with the instrument standard (weekly, monthly, quarterly and yearly).

Subject of trade on the DAMg is the supply of gas in equal volumes at all hours of the delivery day. It is a base instrument and one contract corresponds to the delivery of 1 MWh of gas in each hour of the delivery day. Trading is conducted during one day preceding the date of delivery in the fixing and continuous trading system. In addition, the subject of trading on the day-ahead gas market are weekend instruments with the delivery period from 6:00 a.m. on Saturday to 6:00 a.m. on Monday (gas weekend) in the equal amount of 1 MWh for each hour of the contract execution deadline. Quotations of the weekend instrument are carried out for 2 days preceding the delivery period.

Trading on the intra-day market IDMg is conducted in the continuous trading mode.

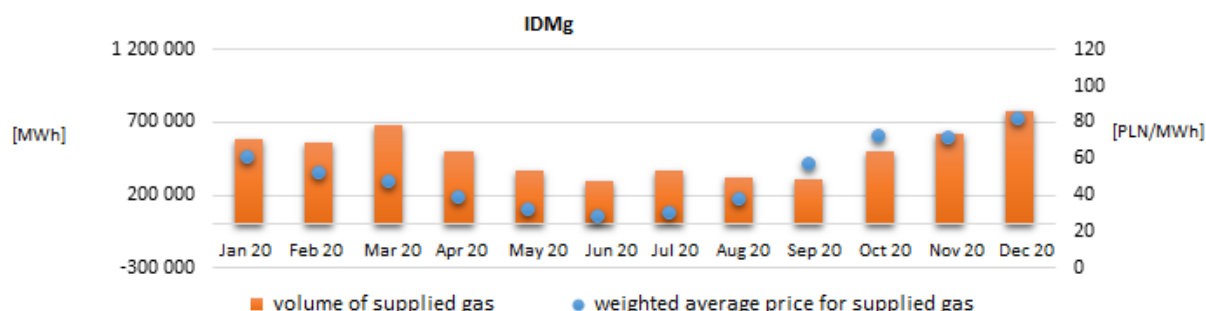
The figures below show the volume and price of gas delivered under contracts concluded on the DAMg, IDMg and CFIM/GFM of OTF.

Figure 28. Volume and weighted average monthly price of gas supplied as a result of the performance of contracts executed on the DAMg in 2020



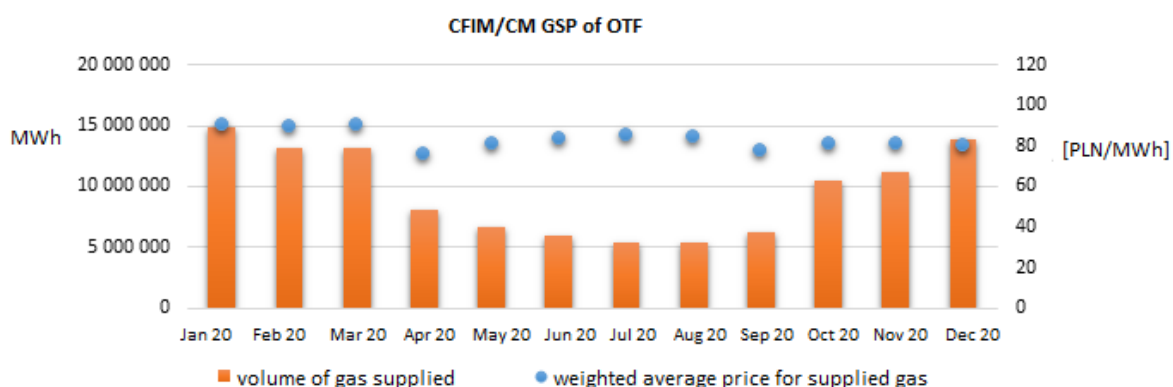
Source: Own analysis on the basis of data provided by TGE S.A.

Figure 29. Volume and weighted average monthly price of gas supplied as a result of the performance of contracts executed on the IAMg in 2020



Source: Own analysis on the basis of data provided by TGE S.A.

Figure 30. Volume and weighted average monthly price of gas supplied as a result of the performance of contracts executed on the CFIMg/GFM OTF, performed in 2020



Source: Own analysis on the basis of data provided by TGE S.A.

In 2020, as a result of contracts concluded on TGE S.A., in the entire period of listing a given type of contract, 140,232,957 MWh of natural gas were delivered at an average price of 79.19 PLN/MWh (19,923,385 MWh were delivered on the DAMg market at the average price of 57.87 PLN/MWh; 5,879,166 MWh on the IDMg market at the average price of 54.52 PLN/MWh and 114,430,406 MWh on the CFIMg market at the average price of 84.17 PLN/MWh).

Trading in high-methane natural gas in the virtual point on the Over-the-Counter (OTC) market

In 2020, the President of URE also monitored transactions concluded at the virtual point on the over-the-counter market. As a result of performance of contracts executed in the virtual point on the Over-the-Counter (OTC) market, regardless of the contract conclusion date, a total of 18.4 TWh of natural gas was delivered at an average price of 69.15 PLN/MWh. The prices in particular quarters in comparison to exchange prices and prices of gas purchase from the EU are presented in the Table below.

Table 31. Comparison of average prices of natural gas under contracts of sales in the virtual point on OTC, sales via TGE S.A. and purchase from abroad, in particular quarters of 2020 [PLN/MWh]

	QI	QII	QIII	QIV
Average prices from contracts on sales in the OTC virtual point with delivery in a specified period	86.63	62.96	54.52	70.18
Average prices from contracts on sales via TGE S.A. with delivery in a specified period	84.37	71.15	75.36	79.92
Average prices of natural gas purchase from abroad from EU Member States or EFTA Member States – parties to the EEC Agreement	54.82	30.89	34.88	67.74

Source: URE.

4.2.2. Retail market

The retail gas market is understood as the market for sales to final customers, irrespective of the volume of fuel purchased. In 2020, the number of customers connected to the distribution network was 6,828,581⁹⁸⁾.

Customers of network gas are connected to the network of the TSO, PSG Sp. z o.o. (the largest DSO) or one of the 50 so-called "small" DSOs.

In 2020, on the supply side 161 suppliers had agreements with the TSO (an increase by 12 compared to 2019), and in the area of the distribution network of PSG Sp. z o.o. the number of suppliers amounted to 79.

The President of URE is monitoring selected gas suppliers and analyzing the collected results for high-methane and nitrogenous gas and LNG. Total sales of high-methane and nitrogenous gaseous fuel to final customers in 2020 amounted to 203.1 TWh, a level comparable to 2019. The largest decrease in sales was recorded in the utilities, services and trade sector (2.05%), while the largest increase was recorded in the agriculture sector (11.3%). Sales to households increased by 4.71%, which is presumably related to the COVID-19 epidemic, which resulted in the proliferation of home office.

Table 32. Structure of natural gas sales to final customers in 2020 [MWh]

Sales of high-methane and nitrogenous gas to final customers			
	Alternative sellers	GK PGNiG	Total
Gas sales to final customers by trading companies operating in the country	28,908,396	172,224,779	201,133,175
including: industry	21,745,247	110,986,436	132,731,683
agriculture	114,209	438,185	552,394
trade and services	4,049,130	10,520,907	14,570,037
public utility	874,990	2,525,375	3,400,365
households	2,124,820	47,753,876	49,878,696
Own use	57,683	1,955,089	2,012,772
Total	28,966,079	174,179,868	203,145,947

Source: URE on the basis of data obtained in a survey conducted by the President of URE among 18 suppliers.

⁹⁸⁾ Data based on a survey of the 12 largest DSOs.

The retail market for natural gas (high-methane and nitrogenous) is characterized by strong concentration. The share of the PGNiG Group entities in the sale of gas to final customers was 85.63% and increased by 2.86 percentage points year on year. The observed increase in the PGNiG Group's share in sales of gaseous fuel to final customers, persisting since 2017, was due to a significant decrease in gas purchase from abroad directly by final customers for their own needs as a result of changes in legal regulations concerning mandatory stocks, as well as due to the acquisition of some customers by PGNiG Obrót Detaliczny Sp. z o.o. (PGNiG OD Sp. z o.o.) as part of the launch of back-up supplies following the discontinuation of operations by several trading companies in 2018-2020. The remaining 14.37% of gas sales to final customers was performed by alternative suppliers selling to final customers. The value of the share of other suppliers varies by economic sector from 27.79% in the services and trade sector to 4.26% in the household group.

The Herfindahl-Hirschman index for the high-methane natural gas market was 9,371.66.

On the retail market for liquefied natural gas (LNG), the share of PGNiG Group companies was less than 12.5%. In 2020, the total volume of sales of LNG by all suppliers, to final customers amounted to 969,986 MWh and differed significantly from the volume reported for 2019 and previous years. However, the increase in the reported volume of LNG compared to previous years is solely due to reporting errors (the energy company submitted a correction). Most of the acquired LNG was sold to final customers after regasification and injection of the obtained high-methane gas into the gas network.

Table 33. Structure of LNG sales to final customers in 2020 [MWh]

	Alternative sellers	GK PGNiG	Total
Industry	705,907	85,026	790,933
Agriculture	57,609	0	57,609
Trade and services	58,606	35,611	94,217
Public utility	6,430	0	6,430
Households	20,797	0	20,797
Total	849,349	120,637	969,986

Source: URE on the basis of data obtained in a survey conducted by the President of URE among 18 sellers.

4.2.2.1. Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

Tariffs for gaseous fuels

Pursuant to Article 29 para. 4 of the Gas Tariff Ordinance, the prices of gaseous fuels and subscription fee rates set in the tariff have the character of maximum prices and subscription fee rates. The gas supplier may use lower prices and subscription fee rates in settlements with customers than those set in the tariff approved by the President of URE, provided that the customers are treated equally in individual tariff groups. Pursuant to the provisions of Article 47 of the Energy Law Act, energy companies develop a tariff according to the scope of their activity (licences held) and submit it for approval to the President of URE, which approves or refuses to approve the tariff, if it finds that it has been established contrary to the provisions of Articles 44-46 of the Act. The provisions of Article 45 para. 1 of the above Act require energy companies to calculate tariffs in a manner that ensures: covering the justified costs of their operations, a justified return on equity engaged in this activity, and protecting the interests of customers from unjustified levels of prices and rates.

The rules for calculating the tariff in 2020 did not change compared to the rules in force in 2019.

In the procedure for approving the tariff, the President of URE shall in particular examine whether the prices and fee rates set out in the tariff have been calculated in accordance with Article 45 of the Energy Law Act, that is whether they ensure coverage of only justified costs and protect the interests of customers against their unjustified level.

In 2020, the tariffs set by energy companies for the sale of natural gas were subject to approval by the President of URE in case of gas sales to household customers. The tariff of PGNiG OD Sp. z o.o. is of key importance, as the company supplies gaseous fuels to over 90% of household customers.

In 2020 the President of URE conducted two administrative proceedings concerning the tariff of PGNiG OD Sp. z o.o. on the approval of the tariff established by the company for the supply of gaseous fuels.

The President of URE made and published two tariff decisions concerning prices and fee rates for household customers, applied by PGNiG OD Sp. z o.o. The first decision taken by the President of URE was published on 16 June 2020 and entered into force on 1 July 2020. The second one, taken on 17 December 2020, was published on 1 January 2021.

Gas prices in tariff No. 9, approved on 16 June 2020, were reduced by 10.6% compared to the previous tariff. Subscription fee rates remained unchanged. The average prices in trading of all types of gas decreased by 9.8% (E and Ls gas) and by 9.7% (Lv gas). However, payments charged to household customers of PGNiG OD Sp. z o.o. include not only gas prices and subscription fee rates but also distribution fee rates. Therefore, taking into account the distribution fee rates applied most often in settlements with households by the largest gas distributor in Poland – PSG Sp. z o.o. – it can be estimated that the effect on the payments made to the customers was lower than that resulting from a reduction of the gas fuel itself and amounted to approx. 6.58% for high-methane gas customers and 7.03% and 6.89% for Lw and Ls nitrogenous gas customers respectively.

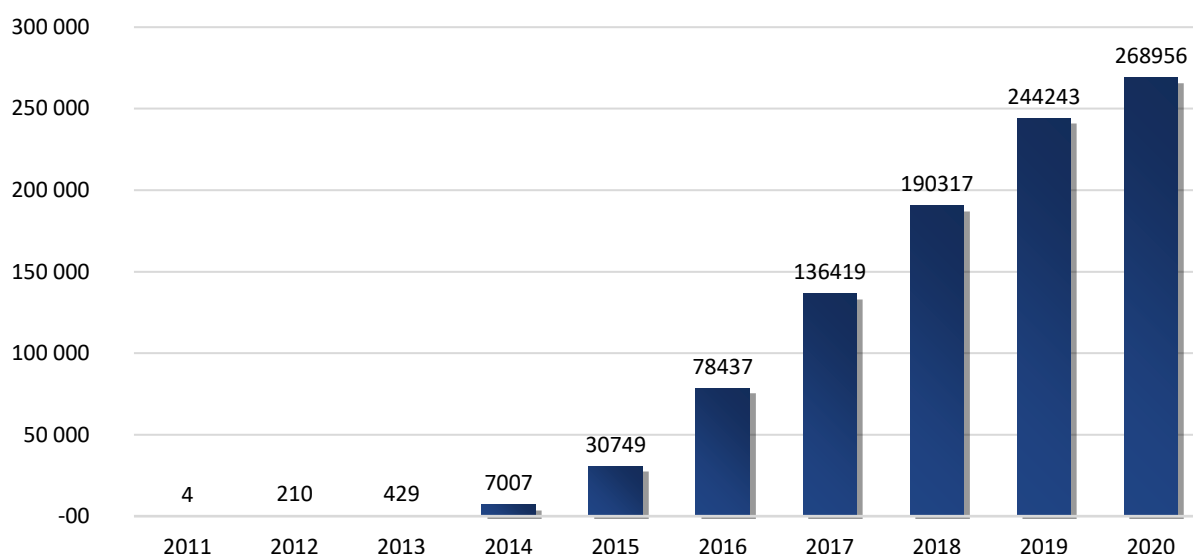
As a result of the decision of 16 June 2020, the change of average monthly payments for customers in households served by PGNiG OD Sp. z o.o. connected to the distribution network of PSG Sp. z o.o. was as follows:

- for customers qualified to the W-1 group using gaseous fuel for meal preparation, for the country's average annual consumption of 1,157.3 [kWh] it was (-) 4.9%, which means a decrease in average monthly payments by PLN 1.02,
- for customers qualified to the W-2 group using gaseous fuel for meal preparation and water heating, for the country's average annual consumption of 7,177.27 [kWh], the payment amounted to (-) 6.7%, which means a decrease in average monthly payments by PLN 6.33/month,
- for customers qualified to the W-3 group using gaseous fuel for meal preparation and water heating and for room heating, for the country's average annual consumption of 22,057.64 [kWh] it was (-) 7.1%, which means a decrease in average monthly payments by PLN 19.45.

By means of the decision of the President of URE of 17 December 2020, Tariff No 10 was approved. The gas prices set in the tariff were reduced by 4.5%, while subscription fee rates remained unchanged. The average prices in trading of all types of gas decreased by 4.1%. Taking into account, as before, the fact that the payments which PGNiG OD Sp. z o.o.'s household customers are burdened with, apart from gas prices and subscription fee rates, also include distribution fee rates (which at the moment when Tariff no 10 came into force had not changed), the effect in payments imposed on the customers was lower and amounted to 2.71% for high-methane gas customers, 2.91% for Lv nitrogenous gas customers and 2.87% for Ls nitrogenous gas customers.

Supplier switching

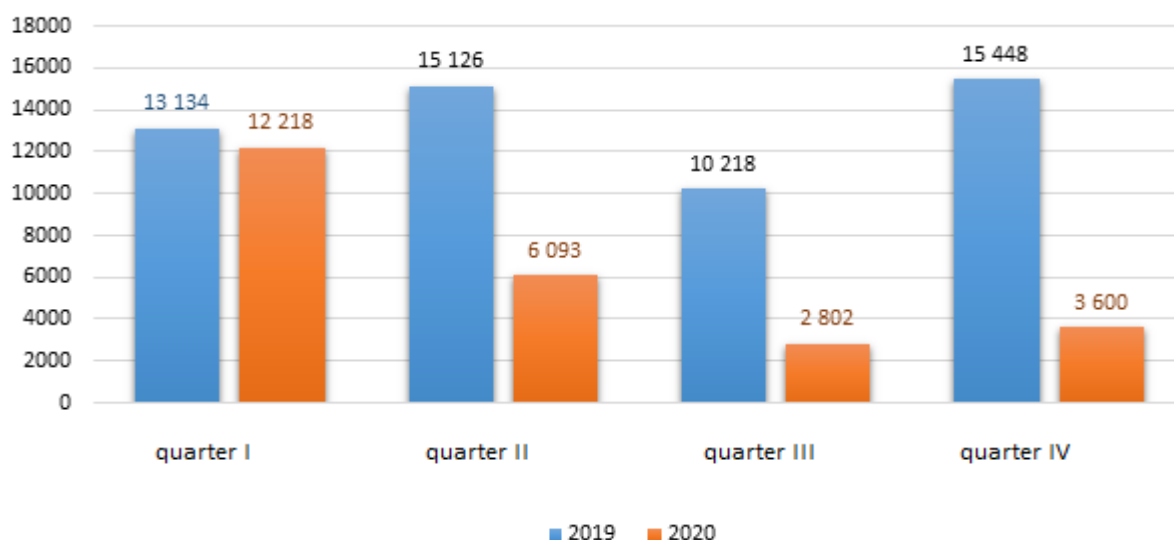
By virtue of the TPA rule (Article 4 para. 2 of the Energy Law Act) and the simultaneous obligation on the operator to perform each gas purchase contract, customers gained the possibility to purchase natural gas from any supplier already in 2007. However, the number of supplier switching is not only a function of the rights granted, but also of the development of the market infrastructure, the state of competition and even customer awareness and activity. The President of URE systematically monitors the degree of actual use of the right to switch a supplier by customers. The analysis of the data from the completed questionnaires indicates an annual increase in the number of consumers switching their supplier, however, starting from 2016, the dynamics of these changes has been decreasing year by year. The data presented below (in cumulative terms) illustrate the development of TPA in Poland over the past decade.

Figure 31. Number of switches of natural gas supplier by customers (cumulatively)

Source: URE on the basis of data presented by the DSO.

In 2011-2020, there was a steady increase in the number of customers switching suppliers. At the end of 2020, the number of switching reached 268,956. The relatively small increase in this number compared to the increases observed in previous years is at least partly attributable to the COVID-19 epidemic, which significantly reduced the channels for suppliers to reach potential customers. In addition, several gaseous fuel sellers ceased operations between 2018 and 2020.

The majority of supplier switching in 2020 (nearly 50%) were recorded in the first quarter and represented the implementation of contracts concluded back in 2019, that is before the epidemic outbreak. This phenomenon is well illustrated by the data presented in the figure below.

Figure 32. Number of gas supplier switches by number of customers in real terms – comparison quarter-on-quarter in the years 2019-2020

Source: URE on the basis of data presented by the DSO.

Comparison of the number of supplier switching (by number of customers) in Q1 2020 (12,218 customers) and 2019 (13,134 customers) does not show a significant deviation (7% decrease), but already the year-on-year comparison of values for the third quarter shows a decrease of 72.5%, and for the fourth quarter even exceeds 76.6%.

Despite the very high degree of monopolization of the gas market and the difficult acquisition conditions related to the COVID-19 epidemic, 24,713 natural gas customers (30,915 metering systems) changed their gas seller in 2020, which represents 0.38% of the total number of customers. A comparison of the share of customers who switched their supplier in 2020 to the value for the previous year (0.79%) shows a decrease in this share by just over 50%.

Compliance Programmes

There are two entities operating on the gas market – the DSO PSG Sp. z o.o. and the SSO – Gas Storage Poland Sp. z o.o. – are obliged to apply Compliance Programmes and submit reports on their implementation to the President of URE. Both entities of the PGNiG S.A. group published their Compliance Programmes on their websites and submitted their reports in due time. The reports show that the importance of the Compliance Programme and the role of the Compliance Officer has been growing year by year.

As part of their tasks, Compliance Officers undertook educational and training activities addressed to the management boards and employees of the operators and dealt with interpretation of the provisions of the Compliance Programmes, counselling, consultations, handling of requests in cases requiring clarification. The Compliance Officers provided opinions on draft regulations, new rules, agreements and other documents prior to their adoption by the operator's management, including cooperation with other departments of the operator on measures applied to protect sensitive information.

In 2020 the Compliance Programme of the SSO was amended and adapted to the Guidelines of the President of URE published in 2019. As a result of the introduced changes, the thematic scope of the Compliance Programme was extended to include, among others, infrastructure management, communication within the group and in relations with the external environment, marketing activities, centralization or outsourcing of services and purchases. In the reporting year, due to their particularly complicated nature, the proceedings concerning the amendments to the Compliance Programme of PSG Sp. z o.o. were not completed.

In 2020, a question was addressed to the President of URE on the interpretation of the provisions of the Energy Law Act regarding the independence of DSOs and Compliance Programmes, in connection with the planned activity of the PGNiG Group. After analyzing the circumstances surrounding the DSOs' plans, the President of URE waived its reservations in this regard.

In 2020, both DSOs and SSO found no cases of violation of the principle of equal and non-discriminatory treatment of users. No complaints were received regarding non-application of the provisions of the Compliance Programme, and no notifications of suspected conflicts of interest were recorded.

Suspension of supplies

Pursuant to the provisions of the Energy Law Act, the supply of gaseous fuels may be suspended in the event when 1) as a result of an inspection it has been established that an illegal consumption of gaseous fuels has occurred, 2) the customer is in arrears with payment for the services provided, at least for 30 days after the expiry of the payment deadline and has failed to pay the amount due, despite being summoned. According to the monitoring carried out by the President of URE among the 12 largest DSOs in Poland, in 2020 gas deliveries were interrupted in 51,551 cases, of which 98.7% concerned customers in tariff groups W 1-4 (households). In tariff groups W 1-4, out of the total number of 43,291 cases, 7,585 were due to payment arrears, in tariff group W-5 these figures were 630 and 45 respectively. No supply suspensions were recorded in the remaining tariff groups.

Payment arrears were the cause of 18% of suspensions of gas deliveries to household customers, while for the entire group of customers the percentage was 14.8% – these values can be assessed as similar.

The number of cases of gas supply suspensions in 2020, compared to the previous year, decreased by 47.8% and the percentage of suspensions due to payment arrears decreased by 73.8%. These significant decreases are justified by the outbreak of the covid-19 epidemic in 2020, including the associated change in suspension of supply rules (temporary ban).

4.2.2.2. Consumer protection and dispute resolution

The competences of the President of URE in the field of consumer protection, dispute resolution and the system of out-of-court dispute resolution are described in section 3.2.2.2.

4.3. Security of supply

Pursuant to the Energy Law Act (Article 12) in conjunction with Article 7a para. 2 item 3 of the Act of 4 September 1997 on branches of government administration⁹⁹⁾ in conjunction with Article 1 para. 2 item 1 of the Regulation of the Prime Minister of 6 October 2020 on the detailed scope of activities of the Minister for Climate and Environment¹⁰⁰⁾, the minister competent for energy in 2020 was the state body responsible for energy policy, including issues related to energy security and in particular covering the supervision of the security of supply of gaseous fuels. These competences were exercised in 2020 by the Minister of State Assets, and then, due to changes in the above-mentioned competence provisions, the Minister of Climate and Environment.

These included the tasks of the competent authority within the meaning of Regulation 2017/1938¹⁰¹⁾, that is the authority responsible for implementing the measures set out in the aforementioned Regulation to safeguard the security of natural gas supply.

Nevertheless, considering the concept of state fuel security defined in the Act on Stocks, in the case of natural gas, as a state enabling current coverage of customer demand for natural gas in a specified volume and period of time, to the extent ensuring proper functioning of the economy – security of natural gas supplies understood as ensuring customers' access to energy of a specified quality and at transparent, cost-based prices, is an area of energy security which is also monitored by the President of URE under statutory regulations.

Monitoring of the security of gas supply, carried out in 2020, was focused on the areas of the market functioning which related in particular to the issues referring to:

- **licences**

Licences for foreign trade in natural gas are issued with consideration of diversification of natural gas supplies and energy security. An energy company dealing with foreign trade in natural gas is obliged to diversify natural gas supplies from abroad (Article 32 para. 2 of the Energy Law Act). In addition, in 2020, licences for foreign trade in natural gas included a condition relating to the obligation to diversify natural gas supplies. As part of the procedure for granting licences for foreign trade in natural gas, the President of URE also verifies whether the applicant has submitted a declaration undertaking to comply with the diversification obligation.

- **diversification of supplies of natural gas from abroad**

In 2020, the President of URE monitored compliance with the provisions of the Ordinance of the Council of Ministers of 24 April 2017 on the minimum level of diversification of natural gas supplies from abroad by energy companies licensed to foreign trade in natural gas in 2019. The monitoring covered 27 entities. Due to the need to supplement the information and documentation provided, these activities were continued in 2021. On the other hand, the proper fulfilment of the 2020 diversification obligation by energy companies holding a licence for foreign trade in natural gas in 2020 will be monitored by the President of URE in 2021.

- **tariffs**

An indirect method of monitoring the security of gaseous fuels supply is tariffing of infrastructure companies. In the course of the tariff process, the extent of financing of assets (transmission, distribution, storage and liquefied natural gas installations), necessary for the supply of fuels to customers, is resolved. The amount of investment expenditures on network assets and the amounts allocated to repairs and modernization of these assets determine their physical condition, i.e. operational security.

⁹⁹⁾ JoL of 2017 item 888.

¹⁰⁰⁾ JoL of 2015 item 2087.

¹⁰¹⁾ Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) 994/2010 (EO OJ L 280).

- **approval of plans for introducing natural gas consumption restrictions developed by operators**

Pursuant to Article 58 para. 1 of the Act on Stocks, the gas TSO and the gas distribution system operators are obliged to develop plans for introducing restrictions to natural gas consumption, and pursuant to Article 58 para. 17 of the Act on Stocks, the above mentioned operators update their restriction plans annually and submit them, by 15 November of a given year, to the President of URE for approval by way of a decision. Restriction plans developed by operators define maximum hourly and daily amounts of natural gas offtake by individual customers connected to their networks, meeting the criterion of being included in the restriction plan, for individual supply levels from 2 to 10 (Article 58 para. 2 of the Act on Stocks in conjunction with Article 4 para. 1 item 1 of the Ordinance of the Council of Ministers of 19 September 2007 on the manner and mode of introducing restrictions in natural gas offtake. Their development is one of the measures envisaged for crisis circumstances related in particular to the emergence of natural gas shortage in the gas system and the occurrence of extremely low external temperatures in the period of the highest demand for natural gas in the gas system. Pursuant to Article 2, the restrictions should be introduced in such a manner that they are imposed after energy enterprises conducting economic activity in the field of foreign trade in natural gas, entities importing natural gas and entities commissioning natural gas transmission or distribution services have exhausted all available means aimed at satisfying the needs of customers for natural gas with a view to restoring the state of fuel security of the state in terms of natural gas supply in the territory of the Republic of Poland or a part thereof – while exercising due diligence with respect to ensuring its maximum supply from available sources. Such restrictions may not result in a threat to the safety of persons or damage or destruction of technological facilities as well as disturbances in the functioning of institutions, entrepreneurs and facilities in the performance of tasks related to:

- a) security or defence of the State,
- b) healthcare,
- c) education,
- d) generation and supply of electricity and heat to household customers,
- e) environmental protection.

Restrictions on the off-take of natural gas are introduced by the Council of Ministers, upon the application of the minister in charge of energy, for a specified period of time, on the territory of the Republic of Poland or a part thereof. The Minister for Climate and Environment shall draw up the application on their own initiative or on the basis of a notification of the gas transmission system operator or the operator of the combined gas systems referred to in Article 53 of the Act.

The URE received, from the obliged operators, a total of 47 applications for approval of the plan to introduce restrictions on natural gas off-take for the 2020/2021 season, of which 46 applications in 2020, while one application already in 2021. The reduction in the number of applications was influenced by the process of DSO mergers.

In 2020, there were no restrictions on the off-take of natural gas in the country or its parts. It should also be noted that in 2020, efforts were undertaken in the Ministry of Climate and Environment to amend the ordinance on the manner and mode of introducing restrictions on natural gas off-take. Representatives of the President of URE took part in these activities. Their primary objective was to update the existing provisions of the Ordinance and bring them in line with EU legislation, in particular to ensure full consistency with Regulation 2017/1938. The Ordinance introduced a closed catalogue of protected entities by enumeratively listing the types of such entities, covering households and entities providing basic social services within the meaning of the EU Regulation. For the 6 types of protected entities, in addition to the criterion of type of activity, a limiting amount of contracted capacity was also indicated, at the level of 710 kWh/h (that is as previously notified to the Commission). Furthermore, the procedures for the development of curtailment plans were improved. The new rules will apply to plans developed and approved in the next season, that is as of 2021. They improve the impact of available measures foreseen at national level for emergency situations.

- **agreeing on the draft network development plan for gas companies**

Agreeing with the President of URE on the draft network development plan allows companies dealing with transmission or distribution of gaseous fuels to secure adequate financial resources for the planned investments, including tasks related to maintaining an appropriate level of reliability and quality of the network services provided, which have a direct impact on the security of gas supply. In relation to the above, the development plans – due to the multi-year investment cycle and the involvement of significant financial resources (high capital intensity), which result in long-term financial consequences for the company and its customers – have a direct impact on the level of the company's future tariffs.

Monitoring of the implementation of tasks resulting from the 2020 development plans highlighted further progress in efforts to diversify sources and directions of natural gas supply, that is activities contributing to market liberalization and directly enhancing the level of security of natural gas supply to Poland. In this context, of particular importance is the implementation of the Baltic Pipe project, that is the gas connection from Poland through Denmark to the deposits on the Norwegian Continental Shelf. This project is part of the North-South Corridor concept and the Baltic Energy Market Integration Plan (BEMIP). Moreover, in 2020, the TSO continued activities concerning other cross-border interconnections of key importance for the development of an integrated and competitive natural gas market in Central Europe and the Baltic Sea region, which directly contributes to increasing the security and degree of diversification of natural gas supplies to Poland. Work was also continued on the cross-border interconnection projects Poland-Slovakia and Poland-Lithuania.

Detailed information on the fulfilment by energy enterprises, transmission system operators and distribution system operators of obligations resulting from Article 16 para. 1 and para. 13 of the Energy Law Act is presented in Section 4.1.2.

- **maintaining mandatory stocks of natural gas**

Mandatory stocks of natural gas are maintained in the period from 1 October of a given year to 30 September of the following year. Thus, when describing issues related to the maintenance of mandatory stocks of natural gas in 2020, two sub-periods may be distinguished: from the beginning of the year until 30 September and from 1 October until the end of the year.

Two categories of entities are required to maintain mandatory stocks of natural gas (hereinafter also referred to as 'obligated entities'):

- a) undertakings engaged in the business of trading natural gas with foreign countries, hereinafter referred to as "undertakings" and
- b) entities purchasing natural gas from abroad,, hereinafter referred to as 'entities'.

The first category includes both companies holding a licence for trading in natural gas and companies performing this activity without the need to hold such a licence due to the statutory exemption from this obligation under Article 32 para. 1 item 4 of the Energy Law Act (that is the annual turnover does not exceed EUR 100,000).

The second category generally comprises entities that bring natural gas into the territory of the Republic of Poland as an intra-Community acquisition or import for purposes other than trading in that gas. For example, entities purchasing natural gas from abroad are customers bringing natural gas for their own use, including companies engaged in the transmission or distribution of natural gas, bringing gas for purposes related to their own network activity.

In 2020, for both mandatory stock periods, that is until 30 September 2020 and from 1 October 2020, the entity coverage of the stock obligation was similar to that of 2019 (16 entities obliged to hold mandatory stocks on 1 October 2019 vs 15 entities obliged to hold mandatory stocks on 1 October 2020). In 2020, there were no grounds for releasing mandatory stocks and mandatory stocks were not released.

Figure 33. Volume of established mandatory stocks in the years 2015-2021

Source: URE's own analysis.

- **aggregation of information provided to the President of URE by the gas transmission system operator pursuant to Article 24 para. 4 and Article 52a para. 1 of the Act on Stocks**

Pursuant to Article 24 para. 3b of the Act on Stocks, if it is found that technical parameters of storage facilities do not ensure the possibility of delivering mandatory stocks of natural gas to the gas system in a period not longer than 40 days, the operator of the gas transmission system or the operator of the gas interconnected system shall notify the President of URE of that fact within 7 days. In 2019-2020 the President of URE did not receive from the gas transmission system operator any information provided pursuant to Article 24 para. 3b of the Act on stocks. However, there were cases in which the extent of the company's documentation submitted did not allow the operator to make a positive verification of the technical feasibility of supplying mandatory gas stocks to the national gas system. In those cases additional explanatory proceedings were conducted.

Whereas in accordance with Article 52a para. 1 of the Act on Stocks, the operator of the gas transmission system or the operator of the gas interconnected system, after the end of each gas day in which mandatory stocks of natural gas were released, by 12:00 hours, shall provide the President of URE with information on:

- a) the date and quantity of mandatory stocks of natural gas released in that gas day and the storage facilities from which they were released,
- b) the electricity undertakings and the entities referred to in Article 52 para. 7 item 1 from which mandatory stocks of natural gas were received in that gas day.

In 2020 the President of URE did not receive from the gas transmission system operator the information provided pursuant to Article 52a para. 1 of the Act on Stocks, due to the fact that there was no need to release mandatory stocks.

5. Antimonopoly proceedings in cases of competition restricting practices and other activities undertaken by the President of UOKiK in relation to companies in the energy sector¹⁰²⁾

I. Concentrations of energy companies and the impact of these changes on the development of competition on the market

In 2020, the President of UOKiK conducted seven antimonopoly proceedings in concentration cases involving entrepreneurs from the energy sector. In six cases consent was granted pursuant to Article 18 of the Act of 16 February 2007 on competition and consumer protection (consolidated text: Journal of Laws of 2021, item 275, as amended; hereinafter: UOKiK Act). It was deemed that they would not result in a significant restriction of competition, in particular through the creation or strengthening of a dominant market position. These proceedings ended with the issuance of the following decisions:

1. Decision DKK-24/2020 of 17/01/2020 concerning the establishment of a joint venture between Equinor ASA, based in Stavanger, Norway, and LLC RN-Vankor, based in Krasnoyarsk, Russia, under the terms specified in the application. The notified concentration consists of the establishment of a joint venture between Equinor ASA, based in Stavanger, Norway and LLC RN-Vankor, based in Krasnoyarsk, Russia, under the name of Krasnoyarsk Geological Research Centre LLC. Equinor ASA is the parent company of the Equinor Group, an international group mainly active in the exploration, development, production, marketing and processing of oil and gas and in renewable energy. LLC RN-Vankor is part of the Rosneft Group, which is active in the exploration, development, production and marketing of oil and gas and the refining and marketing of oil and petrochemical products. The activities of the Joint Venture are intended to be the exploration for oil and gas in a limited number of areas in Eastern Siberia and, if successful, may also include the design and construction of production facilities and infrastructure for the production of oil and gas and the operation of such production facilities and infrastructure.
2. Decision DKK-36/2020 of 28/01/2020 concerning the establishment of a joint venture between Mitsubishi Hitachi Power Systems, Ltd. with its registered office in Yokohama (Japan) and ENEA S.A. with its registered office in Poznań on the terms specified in the application. The notified concentration will consist in the establishment of a joint venture between Mitsubishi Hitachi Power Systems, Ltd. with its registered office in Yokohama, Japan and ENEA Spółka Akcyjna with its registered office in Poznan, Poland. The business activities of the joint venture may include the development, construction and operation of a power plant in Poland based on Integrated Coal Gasification Combined Cycle technology. Mitsubishi Hitachi Power Systems, Ltd. belongs to a group of companies ultimately controlled by Mitsubishi Heavy Industries, Ltd. based in Tokyo, Japan, which is an international supplier of heavy industrial machinery. The group has manufacturing activities in the areas of shipbuilding and marine, power equipment, nuclear power equipment, compressors, turbines, machinery and steel. ENEA S.A. is the parent company of a Polish group which is engaged in the production, trading and distribution of electricity as well as coal mining. ENEA S.A. is listed on the Warsaw Stock Exchange.
3. Decision DKK-83/2020 dated 26/03/2020 relating to the acquisition of control by Equitix Holdings Limited, London, UK over Poland Bidco 1 Limited, London, UK, which will be jointly exercised with Equitix 15, London, UK and over Kisielice Wind Limited, London, UK. As part of the proposed concentration Equitix Holdings Limited with its registered office in London, Great Britain (Equitix) intends to acquire (through funds managed by its subsidiary, Equitix Investment Management

¹⁰²⁾ On the basis of information provided by the President of UOKiK

Limited) control over (i) Poland Bidco 1 Limited with its registered office in London, Great Britain (Poland BidCo) and its subsidiary Zajęczkowo Windfarm sp. z o.o, with registered office in Kobylnica (Zajęczkowo Windfarm) and (ii) Kisielice Wind Limited with registered office in London, United Kingdom (Kisielice Wind) and its subsidiaries Eolica Kisielice sp. z o.o. with registered office in Poznań (Eolica Kisielice) and Management Kisielice sp. z o.o. with registered office in Poznan (Management Kisielice).

Equitix is a holding company, ultimately owned by Tetragon Financial Group Limited (Tetragon). Tetragon invests in a wide range of assets including bank loans, real estate, equities, loans, convertible bonds, private equity, real estate.

Poland BidCo and Kisielice Wind do not engage in activities other than holding company activities involving holding shares in companies. Eolica Kisielice owns and operates the Kisielice onshore wind farm located in Kisielice. Management Kisielice leases the property on which the Kisielice wind farm is located to Eolica Kisielice. Zajęczkowo Windfarm owns and operates the Zajęczkowo onshore wind farm located in Kobylnica.

4. Decision DKK-180/2020 of 08/10/2020 concerning the setting up by Central European Gas Hub AG, based in Vienna, Austria and Societatea Națională de Transport Gaze Naturale TRANSGAZ S.A., based in Medias, Romania of a joint venture with its registered office in Romania, under the terms specified in the application. The intended concentration consists in the creation of a joint venture by:

- 1) Central European Gas Hub AG, Vienna, Austria ('CEGH')

- 2) Societatea Națională de Transport Gaze Naturale TRANSGAZ S.A., Sibiu, Romania ('Transgaz').

Central European Gas Hub AG is part of the OMV Group engaged in the exploration, production and processing of crude oil and natural gas. Central European Gas Hub AG is the operator of the CEGH gas hub and virtual trading platform.

Transgaz is the technical operator of the Romanian national gas transmission system and is responsible for its operations. The company is controlled by the Romanian government.

The joint venture will be active in the gas sector in Romania.

5. Decision DKK-213/2020 of 16/11/2020 concerning the establishment by Veolia Umweltservice GmbH, with registered office in Hamburg, Germany, and Lausitz Energie Bergbau AG, with registered office in Cottbus, Germany, of two joint ventures named: EVA Jänschwalde GmbH & Co. KG, based in Peitz, Germany, and EVA Verwaltungs GmbH, based in Peitz, Germany, under the terms specified in the application.

The notified concentration consists of the establishment of a joint venture under German law in the form of a limited partnership between Veolia Umweltservice GmbH, with its registered office in Hamburg, Germany, and Lausitz Energie Bergbau AG, with its registered office in Cottbus, Germany, under the name EVA Jänschwalde GmbH & Co. KG, established in Peitz, Germany, and its general partner, EVA Verwaltungs GmbH. The above constitutes a form of concentration as defined in Article 13 para. 2 item 3 of the UOKiK Act). Veolia Group is a global brand and market leader in waste management, energy and water systems. In Poland, Veolia has been operating for over 20 years as a partner to cities and industry. Its operations in 144 cities in Poland are focused on providing energy management, water, wastewater and waste management services. In addition, Veolia Group companies in Poland are involved in the supply of district heat. The LEAG Group is one of the largest energy groups in eastern Germany. The core business of the LEAG Group companies is the extraction and refining of lignite (dust and briquettes) and the production of electricity (also from waste in the co-firing process). The Group's activities are based on three pillars: lignite mining, power plant operation and refining of the extracted raw material (the so-called refining process). The LEAG Group extracts lignite at four opencast mines in the Lausitz region and refines and sells it. Lignite chips (briquettes) and lignite dust are also sold in Poland, directly to industrial customers and to companies specializing in lignite trading.

6. Decision DKK-234/2020 of 21/12/2020 concerning the establishment of a joint venture between Chubu Electric Power Co., Inc., based in Nagoya, Japan and Marubeni Corporation, based in Tokyo, Japan, called Geothermie Rupertiwinkel GmbH, based in Munich, Germany, under the terms specified in the application.

The notified concentration consists of the creation of a joint venture between Chubu Electric Power Co., Inc. based in Higashi-Ku, Nagoya, Japan ('Chubu') and Marubeni Corporation based in Tokyo, Japan ('Marubeni') on the basis of Marubeni's subsidiary, Geothermie Rupertiwinkel GmbH ('GR'), under the terms specified in the notification. Chubu is a multi-energy group headquartered in the Chubu region of Japan, with activities related to electric power and related companies, gas brokering and thermal storage, local energy companies, overseas consulting and investment, property

management services and IT services. Marubeni is a Japanese wholesale supplier of numerous industrial and consumer goods – in particular food and consumer products, chemical and forestry products, energy and metals, energy projects and installations, transport and industrial machinery. GR is a project company that will build and operate a geothermal power plant in Bavaria, Germany. One decision concerned failure to notify the President of UOKiK of the intention to concentrate. This was Decision DKK-178/2020 dated 06/10/2020 concerning:

I. imposing on:

- PJSC Gazprom with its registered office in Moscow, Russian Federation, a fine of PLN 29,075,726,808 (in words: twenty-nine billion seventy-five million seven hundred and twenty-six thousand eight hundred and eight zloty)
- Uniper Gas Transportation & Finance B.V., with its registered office in Rotterdam, the Netherlands, a fine in the amount of PLN 29,913,407 (in words: twenty-nine million nine hundred and thirteen thousand four hundred and seven zlotys),
- Engie Energy Management Holding Switzerland AG with its registered office in Zug, Switzerland, a fine in the amount of PLN 55,513,793 (in words: fifty-five million five hundred and thirteen thousand seven hundred and ninety-three zlotys),
- OMV Gas Marketing Trading & Finance B.V. with its registered office in Amstelveen, the Netherlands, a fine of PLN 87,748,906 (in words: eighty-seven million, seven hundred and forty-eight thousand, nine hundred and six zlotys),
- Shell Exploration and Production (LXXI) B.V., with its registered office in The Hague, the Netherlands, a fine in the amount of PLN 30,220,135 (in words: thirty million two hundred and twenty thousand one hundred and thirty-five zlotys); and
- Wintershall Dea Nederland Transport and Trading B.V. with its registered office in Rijswijk, the Netherlands, a fine in the amount of PLN 30,785,804 (in words: thirty million seven hundred and eighty-five thousand eight hundred and four zloty),

for concentration by the above-mentioned entrepreneurs consisting in the establishment of a joint venture (responsible for the construction and operation of the Nord Stream 2 gas pipeline) without the consent of the President of UOKiK, that is in breach of the obligation referred to in Article 13 para. 1 in conjunction with Article 13 para. 2 item 3 of the UOKiK Act.

II. ordering:

- PJSC Gazprom, with its registered office in Moscow, Russian Federation,
- Uniper Gas Transportation & Finance B.V., with its registered office in Rotterdam, Netherlands,
- Engie Energy Management Holding Switzerland AG, with its registered office in Zug, Switzerland,
- OMV Gas Marketing Trading & Finance B.V., with its registered office in Amstelveen, The Netherlands,
- Shell Exploration and Production (LXXI) B.V., with its registered office in The Hague, Netherlands; and
- Wintershall Dea Nederland Transport and Trading B.V., with its registered office in Rijswijk, Netherlands,

to terminate the contracts concluded by the abovementioned entities for the financing of the construction of the Nord Stream 2 gas pipeline within 30 days of receipt of the decision.

II. Administrative proceedings conducted by the President of UOKiK regarding competition restricting practices

In 2020, the President of UOKiK conducted the following administrative proceedings concerning competition restricting practices:

- 1) explanatory proceedings (initiated in 2015) aimed at a preliminary determination of whether the conduct of entrepreneurs in the sale of gaseous fuel may constitute a violation of competition rules justifying the initiation of antimonopoly proceedings, including determination of whether the case has an antimonopoly character (ref. DOK-1.400.1/15);
- 2) explanatory proceedings (initiated in 2018), aimed at a preliminary determination of whether in connection with the activities of entrepreneurs in the field of natural gas storage services and contracted services, the performance of tasks in the field of maintenance of mandatory stocks, a violation of competition rules may have occurred, justifying the initiation of antimonopoly proceedings, including determination of whether the case has an antimonopoly character (ref. DOK-3.400.3/18);
- 3) explanatory proceedings (initiated in 2019), concerning the determination whether the actions undertaken by the entrepreneur Energa-Operator S.A. with its registered office in Gdańsk when

applying the procedures related to the removal of collisions within the meaning of Article 32 of the Act of 21 March 1985 on public roads (consolidated text: Journal of Laws of 2018, item 2068, as amended), as part of road investments made by other entities, constitute an infringement of the provisions of the Act justifying the initiation of antimonopoly proceedings, including whether the case has an antimonopoly character and whether the Company's actions fulfil the prerequisites of abuse of a dominant position (RGD- 400.6.2019/PAF);

- 4) explanatory proceedings (initiated in 2019), concerning preliminary determination of whether there may have been abuse by electricity suppliers in the last resort supply mode (including Energa Obrót S.A. with its registered office in Gdańsk) of their dominant position on the market for last resort supply of electricity in electricity distribution areas of individual operators, including whether the case has an antimonopoly character (RŁO.400.8.2019);
- 5) explanatory proceedings (initiated in 2020) aimed at determining whether the activities of ENEA Oświetlenie Sp. z o.o. with its registered office in Szczecin on the market for lighting services and the maintenance and servicing of lighting infrastructure for the purposes of providing lighting to roads and public places may breach the provisions of the UOKiK Act, justifying the initiation of antimonopoly proceedings (RBG.400.1.2020.PD).

III. Other conducts of energy companies that may violate competition rules, observed by the UOKiK

In 2020 the signals received by the President of UOKiK did not give grounds to take any actions (in particular to conduct explanatory or antimonopoly proceedings) other than those indicated in items I-II. The President of UOKiK carefully monitors the actions of undertakings active on the electricity production and distribution markets, thoroughly analyzing all incoming information on potential irregularities. In case of suspicion of anti-competitive practices, the President of UOKiK takes appropriate actions within its powers.

IV. Measures implemented to promote market transparency, that is measures aimed at providing customers with relevant market information

It should be highlighted that the liberalization of the electricity market, as a result of which consumers became able to freely choose their electricity supplier, contributed to the start of a competitive struggle for customers by electricity suppliers. This led to a situation where energy suppliers started to use entirely new channels to distribute their offerings to consumers. In the prevailing conditions of competition, most electricity suppliers, in order to reach as many customers as possible, introduced, among others, a model of sales outside the business premises, that is at consumers' homes (door-to-door). The analysis of signals from the market indicated that competition on the electricity sales market led to an intensification of unfair practices towards consumers.

On the basis of collected information on unfair market practices applied by electricity traders – signals received by the UOKiK concerning irregularities in the process of concluding electricity sale agreements with consumers (for example misleading the consumer as to the identity of the trader by impersonating the previous electricity suppliers, misleading them as to the alleged price advantage resulting from concluding an agreement with the new supplier, or failing to provide the consumer with a copy of the electricity sale agreement concluded by the latter), in 2020 the President of UOKiK took numerous actions within its powers, that is initiated explanatory proceedings, proceedings concerning practices infringing collective consumer interests, proceedings to declare standard terms and conditions of agreements as prohibited, addressed requests to entrepreneurs under Article 49a of the UOKiK Act and issued decisions referred to in Article 23b, Article 26, Article 27 and Article 28 of the UOKiK Act.

In 2020 the President of UOKiK conducted clause proceedings (for recognition of the provisions of the template agreement as prohibited) against Tauron Sprzedaż Sp. z o.o. with its seat in Kraków and Tauron Sprzedaż GZE Sp. z o.o. with its seat in Gliwice.

In 2020. the President of UOKiK initiated explanatory proceedings regarding a suspected breach of collective consumer interests by ENEA S.A. through a retrospective adjustment of bills for electricity consumption and distribution services.

In addition, in 2020 the Press Office of UOKiK prepared press releases in which UOKiK warned consumers, among others, against unfair practices of electricity suppliers and informed them of their rights in connection with the violation of their legally protected interests, including:

- Communication dated 04 March 2020 "Fraudulent energy suppliers – decision of the President of UOKiK" – notifying of the issuance of a decision by the President of UOKiK stating that Proton Polska Energia Sp. z o.o. violated collective consumer interests;
- Communication of 13 May 2020 "Electricity and gas suppliers – proceedings of President of UOKiK" – notifying of the initiation by the President of UOKiK of an investigation against Enrex Energy sp. z o.o.;
- Communication of 26 June 2020 "Polski Prąd i Gaz to refund fees for termination of contracts – decision of the President of UOKiK" – notifying about the decision of the President of UOKiK declaring 47 contractual provisions used by Polski Prąd i Gaz sp. z o.o. as prohibited.

V. Most important actions taken by the President of UOKiK in the area of competition protection on the retail and wholesale markets

Apart from the actions mentioned above, in 2020 the President of UOKiK did not take any actions to protect competition on the retail and wholesale markets.

VI. Measures taken to deconcentrate the market

In 2020 the President of UOKiK did not undertake any actions aimed at market deconcentration.