



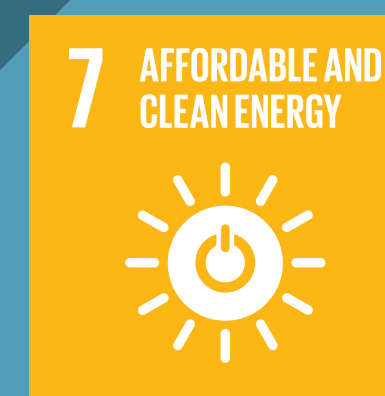
REPUBLIC OF SLOVENIA
COURT OF AUDIT

AUDIT REPORT

Effectiveness of implementing corrective measures for regulating the performance of public utility services of the distribution system operator in the period from 25 November 2014 to 30 June 2019

Performance audit/effectiveness of operations

Audit period: 25 November 2014 to 30 June 2019



Why the audit:

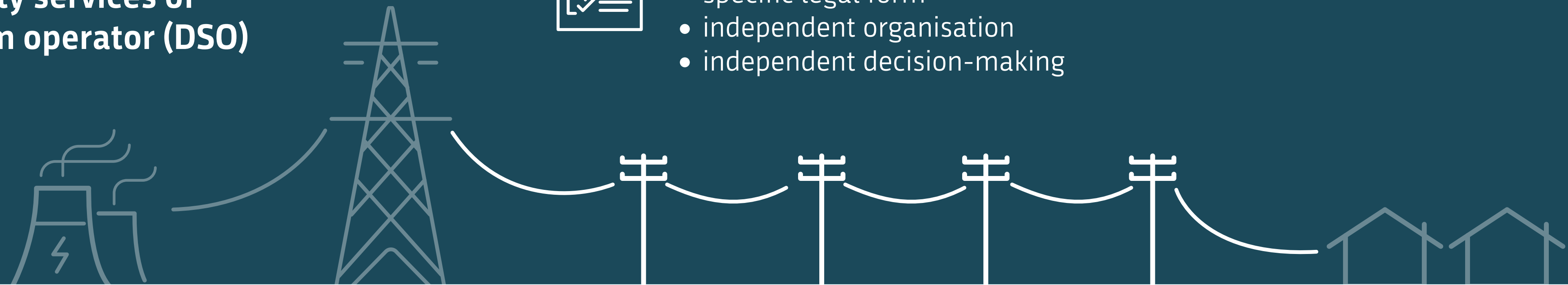
the field of public utility services of the distribution system operator (DSO) still not regulated



Directive and Energy Act → Final deadline: 1 July 2007

distribution system operator:

- specific legal form
- independent organisation
- independent decision-making



electricity generation

transmission network

DISTRIBUTION NETWORK

end-consumers

Distribution network owners

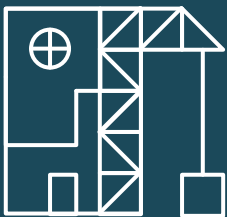
Elektro Ljubljana,
Elektro Celje,
Elektro Gorenjska,
Elektro Primorska,
Elektro Maribor

On 1 July 2007 grants concession to provide public utility services of the DSO

AUDITED WAS
effectiveness of auditees in implementing the measures for regulating the performance of public utility services of the DSO



Government of the Republic of Slovenia
manager of the company SODO



Ministry of Infrastructure

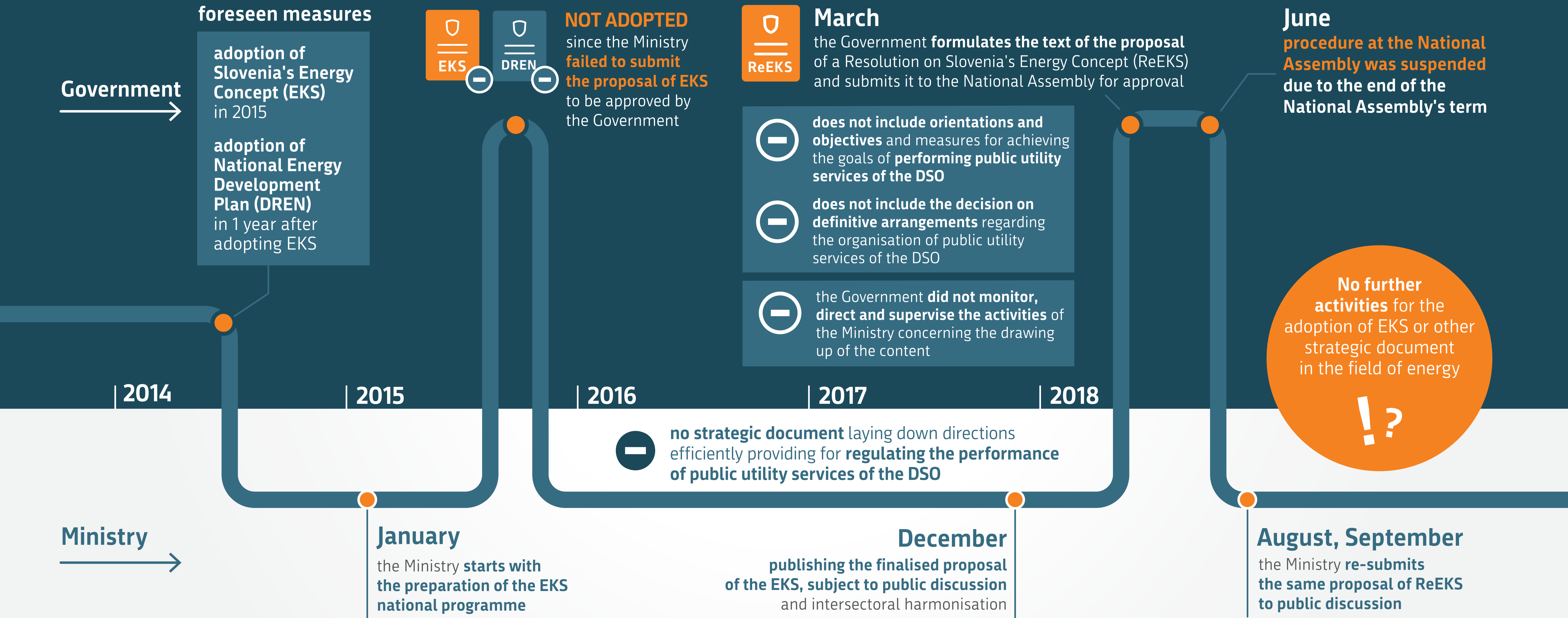


SODO d.o.o.
provider of public utility services of the DSO



SDH d.d. (SSH)
capital investment manager in electricity distribution companies

Strategic documents and measures for regulating the performance of public utility services of the DSO



Measures of the Government and the Ministry of Infrastructure for regulating the infrastructure ownership and the performance of public utility services of the DSO



Stipulates that the **State shall own at least 75.1% of the share** in companies carrying out public utility of electricity distribution



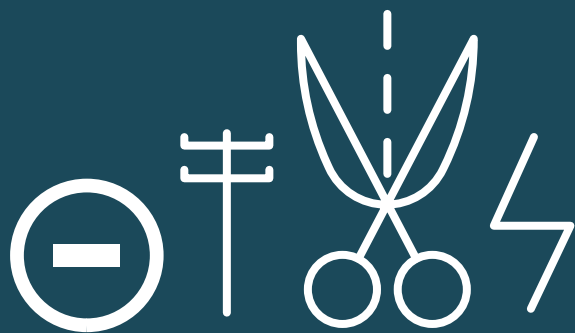
Ordinance on State-Owned Assets Management Strategy



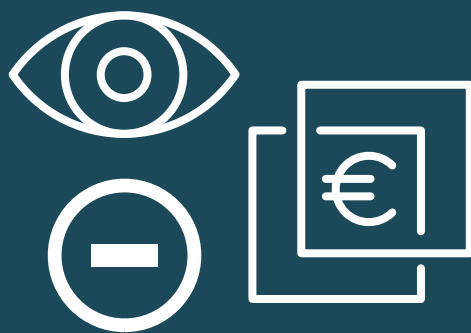
commitment on acquiring a 100% (direct or indirect) state ownership of electricity infrastructure



no time limits for the implementation of activities and meeting the set objectives



Failed to carry out activities for **arranging electricity distribution companies** to ensure legal and substantial **separation of activities for the performance of public utility services of the DSO from other activities.**



Failed to monitor and direct SSH to perform a **corporate spin-off or sale of companies** engaged solely in economic activity and owned by electricity distribution companies in due time.



Failed to monitor and direct SSH to carry out the necessary activities for **acquiring a 100% state ownership** in electricity distribution companies.



Failed to implement measures for **definitive arrangement regarding organisation of the public utility services of the DSO.**



The **Government of the Republic of Slovenia** and the **Ministry of Infrastructure were ineffective** in implementing the corrective measures for regulating the performance of public utility services of the DSO.

Measures of **Slovenian Sovereign Holding (SSH)**

for regulating the infrastructure ownership and the performance of public utility services of the DSO



OdSUKND 2015
Ordinance on State-Owned Assets Management Strategy



Decision of the Government of the Republic of Slovenia
(as of 31 August 2017 and 24 May 2018)



Annual report of the working group for the fulfilment of commitments set out in the response report regarding audit report of the Court of Audit
(18 July 2017)



Annual capital investment management plans (2017-2019)



Quarterly SSH reports on managing the State's capital investments



SSH was ineffective in implementing the measures for regulating the performance of public utility services of the DSO



Failed to carry out activities for a **corporate spin-off or sale of companies** engaged solely in economic activity and owned by electricity distribution companies.



Failed to continue with the implementation of activities for **definitive arrangement of the public utility services of the DSO.**



Failed to carry out all the necessary activities for **acquiring a 100% state ownership share** in electricity distribution companies.



Failed to conduct the cost-benefit **study of merging** 5 electricity distribution companies with the SODO d.o.o.

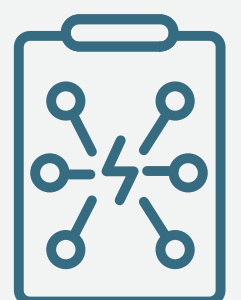
Measures of the **SODO d.o.o.** for regulating the performance of public utility services of the DSO



The SODO d.o.o. was effective in implementing the measures for the performance of public utility services of the DSO



It regulated the field of exercising public authority.



It established a record of electricity infrastructure and IT support for the performance of public utility services of the DSO

- **definitive arrangement of records** by the end of 2020
- setting up **the SODO information system.**



It regulated the field of costs pertaining to the performance of public utility services of the DSO

- updated records and reporting on the realisation of services carried out by electricity distribution companies on behalf of the company SODO
- a draft document concerning the compilation of norms for the performance of services
- supervision of the performed services.





It regulated the field of planning and supervision of the electricity infrastructure development

- **standardization** of a distribution network
- **unification of criteria** for defining priorities regarding investments in the electricity infrastructure development
- **planning and implementing the projects** for the electricity infrastructure development
- **bases for supervising individual investments** in the electricity infrastructure development.

OPINION OF THE COURT OF AUDIT

Implementation of measures for regulating the performance of public utility services of the DSO:

  The Government of the Republic of Slovenia and the Ministry of Infrastructure **were ineffective** in implementing the measures.

  SSH **was ineffective** in implementing the measures.

  The SODO d.o.o. **was effective** in implementing the measures.

Demands of the Court of Audit

Government of the Republic of Slovenia ← **submits**

- must make an **analysis on the efficiency of the applied manner of managing**
(Government → SODO; SSH → electricity distribution companies)

Ministry of Infrastructure

- must study the SSH report ← **hands**
- must take the position on all entries of the report
- must **propose solutions** for the submission to the Government

SSH

must draw up a **report** which includes:

- **an analysis of the reasons** for not carrying out the measures concerning the arrangement of the public utility services of the DSO
- **proposals for the implementation of measures** regarding:

- | | | |
|---|---|---|
| corporate spin-off or sale of companies
engaged solely in economic activity | acquiring of full ownership share
in electricity distribution companies | commissioning of an economic study |
|---|---|---|