

Energy Regulatory Office

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Summary of URE's activities in 2022 – Polish energy sector in times of crisis

The President of the Energy Regulatory Office (URE) has published the 2022 report which provides a comprehensive summary of the Regulator's activity in the past year in the Polish electricity, gas and heat sectors as well as the liquid fuels market. This year's edition is particularly interesting given the strong dynamics resulting from Russia's aggression against Ukraine and the unprecedented number of new regulations, both on the national and EU level.

The past year was at the same time extraordinary and challenging for the sector regulator in many areas. Due to the war in Ukraine, which led to, among other things, rising energy prices, but also in the view of the continued recovery of economies after the pandemic, 2022, above all, brought about change dynamics on an unprecedented scale. The uncertain global market situation increased the risk of raw material supply constraints. Consequently, companies in the energy sector had to cope with unpredictability, uncertainty and risk driven by the changing geopolitical situation - concludes President of URE Rafał Gawin in his review of 2022.

Wider powers – record revenues for the budget

The systematic expansion of the regulator's powers and tasks, as well as the rapidly changing market situation, led to a significant increase in the number of cases handled at URE. As an example, the number of administrative decisions with 11.700 issued in 2022 was higher by nearly 40 per cent when compared to 2021. On the other hand, the number of complaints received by URE decreased, indicating the effectiveness of measures taken in earlier years, such as the ban on the sale of door-to-door electricity or gas supply contracts.

As part of its regulatory activities, including the approval of tariffs and investment plans, URE granted or verified funds of a total value exceeding PLN 188 billion.

In the process tariff approval we assess, among other things, the regulated revenues of energy companies, which are collected from charges paid by end-users, primarily households. This represents a total of PLN 167.2 billion for all tariffs approved in 2022. The value of capital expenditure approved under long-term development plans of energy companies adds up to PLN 9.3 billion. With regard to state aid addressed to energy-intensive industries, cogeneration, RES, long-term contracts and capacity market, we granted or verified funding at the level of PLN 11.7 billion - indicates the President of URE.

The Regulator also contributed record-high revenue to the Polish budget of PLN 203 million, a value that exceeds the previous year's result by over 24 per cent and corresponds to more than 140 per cent of the plan. The vast majority of the revenue, over PLN 175 million (86.3 per cent), came from concession fees.

Very importantly, the URE's activities, which are crucially important to the energy and fuels sector and the national economy, are being carried out without any major increase in the employment level or the budget. At the end of 2022, the overall headcount had increased merely by three employees, while turnover was as high as 12 per cent. Invariably, hiring talent and building up the URE's human resources have been posing a challenge. This will be one of the major issues to address in the context of the Regulator's ability to deliver in the coming years.

URE is 25 Years Old!

On the occasion of its 25th anniversary, the Energy Regulatory Office carried out a series of information and education initiatives. One of the highlights concerned the preparation of the publication titled [W drodze do bezpiecznej i czystej energii. Czyli jak napisać rynek na nowo. 25 lat regulacji rynków energii w Polsce](#) (Towards Secure and Clean Energy: How to Redesign the Market? 25 Years of Energy Market Regulation in Poland).

The study is a monograph of the last quarter of a century of the Polish energy and fuel market and the role played by the sectoral regulator in shaping them. It is also an attempt to look to the future and face the challenges of the European Green Deal and the resulting energy transition. Some of the most recognised leaders and experts in the energy sector, as well as representatives of industry and consumer organisations and the young generation, were involved in the production of the publication.

Another event was an art competition organised by the President of URE for children in grades seven and eight of primary school, entitled '[Where does the electricity come from?](#)'. We received more than 1,700 works and the best of them were displayed in the public space of selected Polish cities.



Charter for Effective Transformation

The crisis has shown us that we should move away from fuels that depend on geopolitics. And we can do this by increasing the share of renewable energy in the energy mix. However, investments in electricity distribution are necessary, if RES capacity is to be increasingly integrated into the system. Distribution networks are the key to successful market transformation and development. Meanwhile, they have become a bottleneck and require significant additional financing, an appropriate regulatory environment and the harmonisation of support measures for the individual sectors of the energy market - emphasises President Rafał Gawin.

In 2022, the efforts aimed at the signing of the Charter for the Efficient Transformation of Poland's Power Distribution Networks (KET) – an unprecedented agreement between the

Energy Regulatory Office and the five largest distribution system operators – were successfully completed. The document creates a stable regulatory environment for investments in the modernisation of transmission networks and their adaptation to the requirements of distributed power. This will be instrumental in facilitating the access to funding for this purpose. The Charter was signed in November 2022. Stakeholder meetings have been underway in 2023 in order to ensure effective and efficient operationalisation of the Charter.

Freezing of gas and electricity prices

In view of the continuing extraordinary situation in the European and domestic gas and electricity markets since February last year, the legislator introduced solutions to protect end consumers, primarily households and public institutions, from excessive price increases. As a result, both gas and electricity prices and distribution charges for their supply were frozen or capped at pre-defined levels.

The gas price for eligible customers was frozen at the 2022 level, i.e. PLN 200.17, and the distribution fee at the level of the last tariff which applied in 2022. Electricity prices and distribution charges for household customers, up to certain consumption thresholds (2,000 kWh, 2,600 kWh and 3,000 kWh) were frozen at the level of the January 2022 tariffs. What is more, the retail price for electricity consumption above these volumes was capped at PLN 0.693/kWh, even though the distribution charges will be in line with the current 2023 tariffs.

However, the introduction of price-freezing provisions did not mean that the tariff approval proceedings conducted by the Regulator were no longer necessary. The tariffs for 2023, approved by the President of URE and invariably calculated on the basis of justified costs, provide the basis for calculating the amount of compensation payable to energy companies.

Concern about balance in the district heating market

In the heating industry, 2022 was marked by high, sometimes several-fold, increases in the cost of fuel for district heating plants, chiefly pulverized hard coal and natural gas. Another significant factor was the over 20 per cent increase in the cost of carbon emission allowances and three consecutive amendments to the heat tariff regulation. This necessitated a number of changes to the existing district heating tariffs.

Undoubtedly district heating systems in Poland need to be transformed, to become independent of fossil fuels but this transformation must also take into account the local specifics, quite unique to the Polish market. Furthermore, the modernisation of the district heating sector should be seen as a security component, which

was clearly demonstrated by the situation with the war in Ukraine and the fears of a lack of coal supplies for Polish district heating and CHP plants. This is why I believe that a model for the central financing of district heating modernisation should be put in place - says Rafał Gawin.

The President of URE used a number of measures to balance the interests of producers and consumers of network heat. To this end, efforts were undertaken by, among others, the District Heating Working Group established in 2020, which met as many as eight times last year.

In 2022, 928 administrative proceedings for the approval or amendment of district heating tariffs were concluded, almost twice as many as in 2021. The overall revenue increase resulting from all proceedings concluded in 2022 (relative to tariffs last applied) was approximately 22 per cent. (PLN 73 billion vs. 60 billion in 2021).

Broad spectrum of URE's activities

In 2022, the Energy Regulatory Office also carried out other statutory tasks, such as those concerning the resolution of consumer disputes (1,516 cases reported to URE), and complaints against the activities of companies (over 8,000 cases). Interestingly, one of the cases, for the first time, brought up a dispute concerning the refusal to connect road transport charging infrastructure.

The President of URE also continued international cooperation within the Council of European Energy Regulators (CEER, Council of European Energy Regulators), the Agency for Cooperation of Energy Regulators (ACER, Agency for Cooperation of Energy Regulators) and the Regional Energy Regulators Association (ERRA, Energy Regulators Regional Association). It resulted, among other things, in a meeting of the latter association held in Warsaw in April this year.

Measures to support the development of renewable energy sources were another significant part of the Regulator's activities, including those relating to the FIT/FIP scheme, the award of co-generation premiums and energy efficiency certificates.

Detailed information on the full activity scope of the Energy Regulatory Office in 2022 can be found in [the Report on the activities of the President of the Energy Regulatory Office](#).

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[Previous Page](#)
[Next Page](#)