

CAPEX review – Case Study session

Case study by Energy Regulatory Office of the Czech Republic

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General outline of the elements of allowed revenues

- *Although the elements will contain other categories that do not fall under CAPEX review, please name all in general*
1. Eligible costs
 2. Eligible depreciation and amortisation
 3. Profit
 4. The market factor

Categories of network investments

- *Please name the categories of possible network investments*

DSO – pipelines, regulating stations, metering, support assets

TSO – pipelines, compression stations, transfer stations, support assets

Regulatory model used for CAPEX review

- *Please describe your approach to the review and approval of capital expenditures by regulated entities – cost-based, incentive-based etc.*
 - *The regulation recognizes the actual values of capitalized investments, which are verified annually in the audited balance sheet.*
 - *The WACC value is set at a value that sufficiently motivates to invest into systems.*

CAPEX assessment models

- *Please describe the procedure on how you evaluate and review your CAPEX assessment model*
- *The principles of regulation are described in the document Principles of Price Regulation. Principles are always valid for the entire regulatory period, which usually lasts 5 years. The CAPEX assessment model is therefore reviewed every five years (2021-2025).*

**THANK YOU FOR YOUR
ATTENTION!**