

Report of the Republic of Slovenia on the basis of the SGEI Decision and the SGEI Framework

1. Expenditure overview

On the basis of the data submitted by the competent bodies, the amount of expenditure in accordance with the SGEI Decision and the SGEI Framework for 2016 and 2017 is as follows:

Total SGEI government expenditure by legal basis (millions EUR)		
Compensation for Services of General Economic Interest (1+2)	2016	2017
1. Compensation granted on the basis of the SGEI Decision	8.39	8.26
2. Compensation granted on the basis of the SGEI Framework	0	0

2. Description of the application of the 2012 SGEI Decision

5) SGEI compensation not exceeding an annual amount of EUR 15 million (Art. 2(1)(a)):

• iii. Waste collection, and iv. Water supply

Description of service: The Environmental Protection Act (*Uradni list RS* (UL RS; Official Gazette of the Republic of Slovenia) Nos 39/06 – official consolidated version, 49/06 – ZMetD, 66/06 – Const. Court Decision, 33/07 – ZPNačrt, 57/08 – ZFO-1A, 70/08, 108/09, 108/09 – ZPNačrt-A, 48/12, 57/12, 92/13, 56/15, 102/15, 30/16, 61/17 – GZ and 21/18 – ZNOrg) lays down the statutory municipal commercial public services in the area of environmental protection: supply of drinking water, collection and treatment of urban waste water and rain water, collection of certain types of municipal waste, processing of certain types of municipal waste, landfilling residue from municipal waste processing or disposal of such waste, and development and cleaning of public land. Municipalities are obliged to organise these services in accordance with the regulations governing commercial public services. If they fail to do so, central government establishes these services in an appropriate form for their territory and for their account.

The provision of these public services is subject to statutory obligations, such as smooth, permanent and general availability to the population, as well as environmental protection obligations. In addition, the Slovenian Government has laid down detailed service standards, technical, maintenance and organisational rules and a single methodology for pricing individual services or calculating subsidies (amounts of compensation). The facilities and equipment for the provision of a public service constitute local public infrastructure which is owned by the municipality or municipalities in which the public service is organised and provided.

When municipalities organise these public services they pursue the objectives of financial viability and economic efficiency, focusing on obtaining the lowest or the most economically favourable price for users and municipal budgets. These public services are organised differently depending on the municipality concerned: in city and large municipalities the same firm provides one or more of the above-mentioned public services, whereas small and medium-sized municipalities usually join forces to organise them. A typical firm will provide one public service in several municipalities or several public services in one or more

municipalities. The exceptions to this rule are certain city municipalities, and even certain small municipalities, which have set up a public utility unit to provide these public services.

Form of entrustment In accordance with the Public Utilities Act (UL RS Nos 32/93, 30/98 – ZZLPPO, 127/06 – ZJZP, 38/10 – ZUKN and 57/11 – ORZGJS40), the provision of municipal public services in the area of environmental protection is entrusted directly to a public undertaking set up by one or more municipalities or to a public utility unit of a municipality. Private undertakings are selected through a public invitation to tender organised by one or more municipalities. In the former case, the constituent instrument is the entrustment act, and in the latter case the concession contract is the entrustment act. Irrespective of the form of entrustment, the public services are provided in accordance with the relevant rules governing the system and sector and are subsidised from municipal budgets using the same methodology (parameters).

The right to compensation and the methodology for calculating the amount of compensation are set out in the Decree on the methodology for determining prices of obligatory municipal public services for environmental protection (UL RS Nos 87/12, 109/12 and 76/17; hereinafter: ‘MEDO Decree’).

Duration of entrustment: The entrustment of the above-mentioned public services to public undertakings is permanent by nature (constituent instrument of the undertaking), unless there is any change in the relevant circumstances, whereas entrustment is limited under concession contracts. Even though the duration of such concessions is not specified or limited by law, their duration — which does not exceed 10 years in most cases — is decided on the basis of the value of the assets invested by concession-holders.

Irrespective of the duration of the entrustment for the provision of a public service, the right to compensation is granted and defined in the contracts which municipalities conclude with providers for the rental of public infrastructure, and which are updated annually through addenda. The addenda set the price for the rental of infrastructure and price discounts (amounts of compensation). In addition, the stipulated methodology (parameters) for calculating the amount of compensation is reviewed and, if necessary, adapted at intervals, which are generally less than every 10 years. The Ministry of the Environment’s list of providers of the above-mentioned commercial public services in the field of environmental protection reveals that entrustments are mostly permanent and are granted to public undertakings and public utility units. Examples of time-limited concessions can be found in public services and services that are provided using infrastructure built through a public-private partnership.

Granting of exclusive or special rights: Rights may be granted to providers, or obligations imposed on them, for the provision of related services. In addition, municipalities may grant permission, or issue instructions, for free capacity of public infrastructure to be marketed at commercial prices or used for the provision of services on the free market, thereby reducing prices for users and municipal subsidies (amounts of compensation).

Compensation mechanism: Under applicable legislation, two forms of subsidisation of the prices of public services in the area of environmental protection are permitted in specific circumstances. Under the MEDO Decree, municipalities may lower the rent for public infrastructure when calculating the price for eligible users — households and providers of non-profit activities. Under that methodology, the municipality is obliged to charge the provider a market rent for the entire infrastructure which is no lower than the costs of

depreciation. If the approved price for eligible users does not fully cover the rent, the municipality grants compensation amounting to the difference between the approved and calculated economic price of the service. In order to grant compensation, the municipality issues a decision and creates an item in the relevant municipal budget. In addition, municipalities, as founders of a public undertaking and — if provided for in the concession contract — as concession grantors, cover any exceptional shortfalls in revenue resulting from a reduction or increase in operations or resulting from exceptional obligations imposed by the municipality which were not included in the financing plans of providers and which were therefore not entered in the corresponding municipal budget items either. Under both mechanisms, compensation is treated as a cash subsidy. Separate accounts are kept by activity.

The parameters for calculating the amount of compensation under the two mechanisms are set out in the MEDO Decree. Under that Decree, providers must draw up annual documentation (economic analyses) for pricing, which, depending on the planned scope of operations, takes account of all costs, revenue (savings) from the use of infrastructure for the performance of related and other commercial activities, in addition to revenue from the particular public service. The calculation of prices or compensation takes account of the return on required fixed assets invested by the provider, which may not exceed 5 % of their value. When calculated prices differ from approved prices by more than 10 % they are re-approved by the municipality.

Prevention and recovery of excessive compensation: Under the MEDO Decree municipalities are obliged to use the accounts from the previous year to ascertain whether there are any differences between the approved price and the calculated price. Any such difference is taken into account when calculating the prospective price and the amount of compensation for the forthcoming period. If it exceeds 10 % of the approved price, the responsible municipal authority must launch a procedure for approval of the amended price on the basis of the provider's documentation. Compensation to cover exceptional costs or shortfalls in revenue resulting from imposed exceptional obligations or a reduction or increase in operations is granted subsequently, corresponding to amounts actually incurred and demonstrated, which means that excessive compensation is not granted.

A short explanation of how the transparency requirements for aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with:
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Total amount of aid granted: The data below are based on data received from 101 municipalities.

Data on amount of compensation for supply of drinking water

(EUR million)	2016	2017
Total amount of aid granted – local authorities	2.77	2.22

Data on amount of compensation for collection and treatment of urban waste water and rain water

(EUR million)	2016	2017
Total amount of aid granted – local authorities	3.06	3.70

Data on amount of compensation granted for collection of certain types of municipal waste, processing of certain types of municipal waste, landfilling of residues of processing of municipal waste or disposal of such waste

(EUR million)	2016	2017
Total amount of aid granted – local authorities	0.38	0.35

Data on amount of aid granted for development and cleaning of public land

(EUR million)	2016	2017
Total amount of aid granted – local authorities	2.18	1.99

3. Description of the application of the 2012 SGEI Framework

In 2016 and 2017 there were no examples in Slovenia of a SGEI provider with the right to state aid in the form of compensation for public service obligations requiring the application of the 2012 SGEI framework.