



REPUBLIC OF CROATIA
Croatian Energy Regulatory Agency - CERA

**CROATIAN ENERGY LEGISLATION AND
PROGRAM FOR REGIONAL AND EU MARKET
INTEGRATION**

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CROATIAN ENERGY SECTOR REFORM REGIONAL AND EU MARKET INTEGRATION



CROATIAN STRATEGIC GOALS

- SECURITY OF SUPPLY
- PRICE LEVEL AFFORDABLE FOR CONSUMERS, ACCEPTABLE FOR SUPPLIERS AND ECONOMY
- INCREASE COMPETITION
- DEVELOP REGULATION IN ACCORDANCE WITH
 - EUROPEAN DIRECTIVES
 - ENERGY COMMUNITY TREATY
- REGIONAL AND EU INTEGRATION – TO TAKE BENEFITS FROM REGIONAL MARKET AND INCLUSION INTO INTERNAL EU ELECTRICITY AND GAS MARKET
- ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT (RENEWABLE ENERGY SOURCES, ENERGY EFFICIENCY)
- COMPLIANCE WITH KYOTO PROTOCOL



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NEW LEGAL FRAMEWORK

- **DECEMBER 2004: THE CROATIAN PARLIAMENT PASSED THREE NEW LAWS: LAW ON REGULATION OF ENERGY ACTIVITIES, LAW ON ELECTRICITY MARKET AND AMENDMENTS TO ENERGY LAW**
- **MARCH 2005: THE PARLIAMENT PASSED LAW ON HEAT PRODUCTION, DISTRIBUTION AND SUPPLY**
- **NEW LAWS BROUGHT MANY CHANGES IN RELATION TO THE ELECTRICITY MARKET, GAS MARKET (INTRODUCTION OF TWO NEW ENERGY ACTIVITIES: STORAGE AND RETAIL SUPPLY OF GAS), AS WELL AS REGULATORY BODY'S STRUCTURAL CHANGES**
- **CROATIAN ENERGY REGULATORY COUNCIL (CERC) HAS BEEN TRANSFORMED INTO CROATIAN ENERGY REGULATORY AGENCY (CERA)**



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THE ENERGY LAW IS THE BASIC ENERGY ACT

- **DEFINES THE PRINCIPLES OF ENERGY POLICY**
- **REGULATES CONDITIONS FOR 25 ENERGY ACTIVITIES (LICENCES)**
- **SETS OUT THE RULES OF BUSINESS OPERATION AND REGULATION**
- **PROMOTES ENERGY EFFICIENCY, USE OF RENEWABLE SOURCES AND ENVIRONMENTAL PROTECTION**
- **REGULATES ENERGY PRICES (REGULATED OR FREE), TARIFF SYSTEMS AND GENERAL SUPPLY CONDITIONS**
- **PRODUCTION AND SUPPLY DEFINED AS MARKET ACTIVITIES**
- **TRANSMISSION AND DISTRIBUTION AS REGULATED ACTIVITIES**



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THE LAW ON ELECTRICITY MARKET

- LEGAL AND FUNCTIONAL SEPARATION OF PRODUCTION, TRANSMISSION AND DISTRIBUTION
- CONSTRUCTION OF NEW GENERATION CAPACITIES
 - FREE DECISION OF ENERGY UNDERTAKING, UNDER AUTHORISATION CRITERIA
 - PUBLIC TENDERING FOR TARIFF CUSTOMER
- REGULATED TPA TO NETWORK - TSO AND DSO AS PARTS OF HEP HOLDING COMPANY
- INDEPENDENT MARKET OPERATOR (OUTSIDE HEP)
- PUBLIC SERVICE OBLIGATION
- SUPPLY AS COMMERCIAL ACTIVITY
- ELIGIBLE CUSTOMERS: > 20 GWH
- MARKET OPENING STRATEGY
 - UNTIL 2008 ALL CONSUMERS WILL BE ELIGIBLE



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THE LAW ON REGULATION OF ENERGY ACTIVITIES

- **ESTABLISHMENT OF ENERGY REGULATORY AGENCY (CERA) WITH A BOARD COMPRISING FIVE MEMBERS APPOINTED BY THE CROATIAN PARLIAMENT**
- **REGULATED ENERGY ACTIVITIES PERFORMED ON THE PRINCIPLES OF OBJECTIVITY, TRANSPARENCY AND NON-DISCRIMINATION**
- **CERA WHOLLY INDEPENDENT FROM THE ENERGY INDUSTRY**
 - **WITH OWN BUDGET**
 - **WITH OWN STAFF (25-30 experts)**
- **CERA ACTING MANAGER APPOINTED**
- **FIVE COMMISSIONERS APPOINTED, BOARD COSTITUTED**



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THE SCOPE OF ACTIVITIES OF THE CERA INCLUDE:

- ISSUING LICENSES FOR THE CARRYING OUT OF ENERGY ACTIVITIES,
- ADOPTING THE METHODOLOGY FOR THE DETERMINATION OF TARIFF ELEMENTS OF TARIFF SYSTEMS,
- GIVING OPINIONS TO THE MINISTRY AND TO THE GOVERNMENT,
- SUPERVISING THE APPLICATION OF TARIFF SYSTEMS AND PRESCRIBED FEES

CERA SHALL ALSO:

- PASS REGULATIONS IN THE ENERGY SECTOR FOR WHICH CERA IS AUTHORISED UNDER LAWS REGULATING THE CARRYING OUT OF CERTAIN ENERGY ACTIVITIES, AND GIVE OPINIONS OR APPROVALS ON RULES AND REGULATIONS IN THE ENERGY SECTOR,
- SUPERVISE THE QUALITY OF SERVICES PROVIDED BY ENERGY UNDERTAKINGS,
- PUBLISH INFORMATION AND DATA ON ENERGY EFFICIENCY AND THE USE OF ENERGY,
- PARTICIPATE IN THE ENERGY POLICY DESIGN



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THE LAW ON ELECTRICITY MARKET - Article 11

- TO ENSURE THE INDEPENDENCE OF THE TRANSMISSION SYSTEM OPERATOR OR THE DISTRIBUTION SYSTEM OPERATOR, THE FOLLOWING SHALL APPLY:
 - A PERSON RESPONSIBLE FOR MANAGING THE TRANSMISSION SYSTEM OPERATOR OR DISTRIBUTION SYSTEM OPERATOR SHALL NOT PARTICIPATE IN THE MANAGING OF A VERTICALLY INTEGRATED COMPANY,
 - A PERSON RESPONSIBLE FOR MANAGING THE TRANSMISSION SYSTEM OPERATOR OR DISTRIBUTION SYSTEM OPERATOR SHALL ACT INDEPENDENTLY FROM ELECTRICITY GENERATION AND ELECTRICITY SUPPLY,
 - THE OPERATOR SHALL MAKE DECISIONS ON THE FUNDS REQUIRED FOR OPERATION AND MAINTENANCE, DEVELOPMENT AND CONSTRUCTION OF THE TRANSMISSION OR DISTRIBUTION SYSTEM, INDEPENDENTLY OF THE VERTICALLY INTEGRATED COMPANY
- CERA SHALL MONITOR THE ACTUAL INDEPENDENCE OF TSO AND DSO



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THE LAW ON ELECTRICITY MARKET - Article 12

- THE MOTHER COMPANY OF THE VERTICALLY INTEGRATED COMPANY SHALL APPROVE ANNUAL FINANCIAL PLANS OF THE TSO AND THE DSO, AND SET THE LIMITS TO THEIR INDEBTEDNESS, BUT SHALL NOT GIVE INSTRUCTIONS RELATING TO THEIR EVERYDAY OPERATION,
- APPROVED FINANCIAL PLANS SHALL BE SENT TO CERA FOR MONITORING AND ANALYSIS OF IMPLEMENTATION.

THE LAW ON ELECTRICITY MARKET - Article 13

- IN A VERTICALLY OR HORIZONTALLY INTEGRATED COMPANY THERE SHALL BE NO CROSS-SUBSIDIZING OF COMPANIES, TO SECURE MARKET COMPETITION AND AVOID DISCRIMINATION OF SYSTEM USERS,
- TSO AND DSO SHALL EACH KEEP BUSINESS RECORDS FOR ITS OWN ENERGY ACTIVITY, WHILE FOR OTHER ACTIVITIES PERFORMED WITHIN THOSE COMPANIES, CONSOLIDATED ACCOUNTS SHALL BE KEPT.



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RENEWABLES

- **USE OF RENEWABLE SOURCES - CROATIAN INTEREST**
- **RES CONCEPT DEVELOPMENT AND IMPLEMENTATION DOCUMENTS:**
 - **ENERGY SECTOR DEVELOPMENT STRATEGY**
 - **IMPLEMENTATION PROGRAM**
 - **NATIONAL ENERGY PROGRAMS**
- **TIME WINDOW BY 2010 – 4,5 %**
- **DEFINING MINIMUM RES USE STIMULATION TARGET OR QUOTA:**
 - **SHARE IN CONSUMPTION BREAKDOWN**
 - **INSTALLED CAPACITY IN MW**
- **WHO IS IN CHARGE?**
 - **METHOD FOR COLLECTING INCENTIVES AND APPOINTMENT OF FINANCIAL MECHANISM - MARKET OPERATOR**
 - **OBLIGATION OF REPORTING ON AND DOCUMENTING FULFILLMENT OF CERA'S REQUIREMENTS**



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RECONNECTION OF UCTE1 AND UCTE2 ZONES

- **VERY IMPORTANT FOR DEVELOPMENT OF EUROPE SINGLE ENERGY MARKET WAS THE SUCCESSFUL OPERATION OF RECONNECTING THE UCTE 2 WITH UCTE 1 ZONES THAT WAS PERFORMED LAST YEAR - COORDINATED FROM THE NATIONAL DISPATCHING CENTRE IN ZAGREB**
- **PROBLEMS WERE CAUSED BY THE DESTRUCTION OF THE RELEVANT INFRASTRUCTURE (SUBSTATIONS ERNESTINOVO AND HIGH VOLTAGE NETWORK) DURING THE WAR AND ONLY ITS RECONSTRUCTION THAT HAS BEEN COMPLETELY FINANCED BY THE CROATIAN GOVERNMENT CREATED NECESSARY TECHNICAL PRECONDITIONS FOR THE PROJECT**
- **WITH THIS PROJECT THE SECURITY OF ELECTRICITY SUPPLY ALL OVER THE REGION INCREASED**
- **THE RECONNECTION IS CREATING A POSITIVE ENVIRONMENT FOR FURTHER DEVELOPMENT OF THE ELECTRICITY MARKET WITH THE IDEA OF BOOSTING THE GROWTH OF ECONOMY IN GENERAL, AND THE FULL LIBERALIZATION OF THE ENERGY MARKET IN EUROPE**



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CONCLUSIONS

- **STRATEGY FOR ELECTRICITY MARKET OPENING HAS BEEN APPROVED AND UNDER IMPLEMENTATION**
- **IMPLEMENTATION**
 - **BUILDING THE INSTITUTIONS**
 - **PREPARING CLEAR ROADMAP FOR IMPLEMENTATION (MORE THAN 50 BYLAWS)**
- **TIME FRAME**
 - **DEVELOP MOST BYLAWS BY THE END OF 2005**
 - **FULL IMPLEMENTATION IN THE YEAR 2006**
- **GOAL TO HAVE A TRANSPARENT FUNCTION OF ENERGY MARKET AND TO ENSURE FULL COMPLIANCE WITH EUROPEAN DIRECTIVES AND ENERGY COMMUNITY TREATY**
- **THE CROATIAN GOVERNMENT FULLY SUPPORTS THE IDEA OF ESTABLISHING AN INTEGRATED MARKET IN NATURAL GAS AND ELECTRICITY IN ENERGY COMMUNITY**



Thank you for your attention!