

ENERGY ACT

I. GENERAL PROVISIONS

Article 1.

(1) This Act regulates measures for ensuring a secure and reliable energy supply, efficient power generation and use; enforcement of acts that will stipulate and on the basis of which the energy policy and energy strategy will be implemented; carrying out of energy activities based on market principles or pursuant to public service obligation, and other key issues relevant to the energy sector with due regard to environmental protection measures.

(2) This act regulates issues and relations that are of common interest to all energy activities, or that are related to different forms of energy. Issues related to the area of gas, electricity, oil and oil derivatives, thermal energy, renewable energy sources and energy efficiency are regulated by special legislation.

Article 2

This Act transposes into the legislation of the Republic of Croatia the *acquis communautaire* in the field of energy, in particular Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC (SL. L 211, 14 Aug 2009) and Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (SL. L 211, 14 Aug 2009).

Article 3.

The terms used in this Act have the following meanings:

1. biofuel – liquid or gaseous fuel
2. distribution – distribution of energy through the distribution network/system,
3. distribution network/system – a network/system used for the distribution of energy,
4. energy facility - a building or a part thereof used for energy production, transmission/transport, storage or distribution,
5. energy undertaking – a legal or natural person that carries out one or more energy activities and has a permit to carry out the energy activities,
6. energy – primary energy-generating product and/or transformed form of energy, i.e. electricity, heat, gas, oil and oil derivatives and energy from renewable sources,
7. Croatian Energy Regulatory Agency (hereinafter: the Agency) - an independent regulator of energy activities established under a special law and vested with powers prescribed by this Act and other legislation regulating the carrying out of energy activities,
8. public service - service available at all times to final customers and energy undertakings

according to regulated prices and/or conditions of access and use of energy service, which has to be available, sufficient and reliable, taking account of security, regularity and quality of service, environmental protection, energy use efficiency and climate protection, all performed according to the principles of transparency and non-discrimination and with supervision of the bodies as prescribed by law,

9. cogeneration – simultaneous production of both electricity and thermal energy in a combined process,

10. controlling relation – relation between the system/network operators, suppliers and producers or energy undertakings that perform their activity on the market and those that are regulated and as such represent a natural monopoly, regarding the right to appoint the supervisory board, the rights of the majority owner, the executive rights, and all other rights that are derived from ownership rights,

11. network/system user – an energy undertaking that supplies energy into the network/system or takes energy from the network/system,

12. customer – a legal or natural person that buys energy,

13. final customer – any customer that buys energy for his own needs or own consumption,

14. Minister – the minister in charge of the energy sector,

15. Ministry – the ministry in charge of the energy sector,

16. network/system – a system of connected facilities and lines for transmission, or transport, storage or distribution of energy,

17. renewable energy sources – renewable non-fossil resources (aero thermal energy, biomass energy, sea energy, wind energy, hydropower, geothermal and hydrothermal energy, landfill gas energy, gas energy from wastewater processing facilities, biogas energy, solar energy) ,

18. network/system/storage/terminal operator – an energy undertaking responsible for management i.e. operation and management, maintenance, development and construction of an energy network/system/storage/terminal,

19. energy supply – purchase and sale of energy to customers,

20. supplier – an energy undertaking that carries out supply activities,

21. gas – natural gas and any other types of gas (liquefied natural gas, LPG-mix, evaporated liquefied petroleum gas, town gas, biogas and gas from biomass) in the extent that such gases can be technically and safely mixed into the flow of natural gas and in that way transmitted through the gas system,

22. eligible producer – an energy undertaking and/or other legal or natural person that produces energy from renewable sources or simultaneously produces electricity and thermal energy in a highly efficient manner in a single generation plant, uses waste or renewable energy sources in an economically viable manner in compliance with environmental protection,

23. transmission/transportation of energy – transportation of energy through the transmission network, or transport system in order to take energy from producers and other transmission networks and to pass on such energy to the distribution network, an energy storage system or final customers connected directly to the transmission network, or transport system,
24. transmission network/transport system – a network/system used for the transmission/transportation of energy,
25. connection to network/system – the physical connection to the transmission/transportation or distribution network/system under prescribed conditions,
26. product – an energy-related product or any good having an impact on energy consumption during use, which is placed on the market and/or put into service, within the meaning of the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products for final customers,
27. energy production – the physical or chemical process of converting fuels or renewable energy sources into electricity, heat or other energy forms,
28. production of oil derivatives – the processing and refining of oil and/or degassing for the purpose of obtaining liquid or gaseous products – oil derivatives, including liquefied petroleum gas (LPG),
29. gas production – production, delivery and sale of gas, excluding natural gas production,
30. energy producer – an energy undertaking that participates in the energy market and produces energy,
31. transit – the transmission of energy originating from another country and intended for a third country through the territory of the Republic of Croatia, or the transmission of energy originating from another country and intended for such other country through the territory of the Republic of Croatia,
32. trader – an energy undertaking that buys and sells energy, with the exception of selling energy to the final customer,
33. energy trading – sale of energy, with the exception of selling energy to the final customer,
34. vulnerable customer – a household customer of energy, who, due to his social status and/or health condition, has the right to energy supply under special conditions,
35. universal service – a public service obligation of electricity supply that ensures the right of a specific category of customers to supply of electricity of prescribed quality on the territory of the Republic of Croatia, and according to proportionate, easily and clearly comparable, transparent, and non-discriminatory prices,
36. facility manager – an energy undertaking that is managing an energy facility and is obliged to carry out energy activities, maintain, technically improve and modernise the facility,

37. vertically integrated undertaking – an energy undertaking or a group of energy undertakings where the same person or same persons have the possibility of direct or indirect control, and where the undertaking or the group of undertakings perform at least one function or functions regarding transmission or distribution and at least one function of production or supply of energy,

38. high efficient cogeneration- cogeneration that achieves a required saving of primary energy according to the conditions of the Ordinance on acquiring the status of eligible producer of electricity,

39. guaranteed supply – mandatory public service of electricity or gas supply under regulated conditions to final customers who are under particular conditions left without a supplier,

40. protected customer – a customer who, in case of partial distortion of energy supply, has the right to supply of specific quantity of energy,

Article 4.

(1) Locations for the construction of energy facilities that were examined and registered in state spatial plans are of interest to the Republic of Croatia.

(2) Construction of energy plants and facilities, their maintenance and use, as well as the carrying out of energy activities is considered to be of interest to the Republic of Croatia.

(3) For the purpose of protecting the interest and safety of infrastructure for the energy supply of the Republic of Croatia, facilities and infrastructure that are used for the processing of oil and production of oil and oil derivatives, transport of oil and oil derivatives, ports and terminals for the reception of oil and oil derivatives, liquefied petrol gas terminals, storage facilities for oil and oil derivatives, retail trade of oil derivatives on islands and rural (dislocated) locations, electricity transmission and distribution network, electricity production facilities, , thermal energy production facilities, cogeneration facilities, liquefied natural gas terminal, main gas pipelines, gas storages and the grid of gas production pipelines, gas distribution network, thermal energy distribution network, are proclaimed objects of interest to the Republic of Croatia.

(4) Owners of objects of special interest are obliged to maintain, technically improve or modernise the facilities according to determinants of the Energy Strategy and interests of the Republic of Croatia that are prescribed by positive legal regulations.

(5) In case the owner of the object of interest to the Republic of Croatia is not known, the manager of the object of interest has the same obligations referred to in paragraph 4 of this Article as the owner.

(6) Drafting and delivery of planning documents regarding maintenance and modernisation of objects of interest to the Republic of Croatia, reports on activities carried out, as well as a list of objects of interest to the Republic of Croatia and all other issues regarding the protection of interests and safety of the infrastructure for supply to the Republic of Croatia will be regulated by a decision of the Government of the Republic of Croatia..

II. ENERGY POLICY AND PLANNING OF ENERGY DEVELOPMENT

Article 5.

(1) The basic act that outlines the energy policy and planning of the development of the energy sector is the Energy Strategy.

(2) The Energy Strategy deals with: ensuring a secure and reliable supply of energy and its efficient generation and efficient use, specifically the use of different renewable energy sources, care for the environment in performing all energy activity areas; promotion of competition in the energy market on the principles of non-discrimination and transparency; protection of energy consumers; the connection of the Croatian energy system or its parts to European energy systems or the energy systems of other countries by taking into account economic development trends and energy needs; drawing up National Energy Programmes, capital investments in the energy sector, incentives for investments in renewable energy sources and cogeneration and for improvements in energy efficiency and in environmental protection measures.

(3) The Energy Strategy shall be passed by the Croatian Parliament upon the proposal of the Government, of the Republic of Croatia, for a period not shorter than ten years.

Article 6.

(1) Based on the Energy Strategy, the Government of the Republic of Croatia shall pass the Strategy Implementation Programme which will define the measures to be implemented, the competent authorities for the performance of planned activities and the time schedule for the implementation of the energy policy and the National Energy Programmes, methods of cooperation with local and regional self-government units in the area of development planning in the energy sector and cooperation with energy undertakings and international organisations.

(2) The Strategy Implementation Programme shall be adopted for the minimum period of ten years, and the Ministry shall propose amendments and changes to the Programme every two years.

(3) Upon expiry of the implementation period of the Strategy Implementation Programme, or earlier if the circumstances changed significantly, the Government of the Republic of Croatia shall submit to the Croatian Parliament a report on the implementation of the Energy Strategy with a proposal of necessary amendments to the Strategy.

(4) National Energy Programmes and plans for the development of individual energy sectors shall be adopted by the Government of the Republic of Croatia in line with the Energy Strategy and the Strategy Implementation Programme according to special legislation that regulates specific energy activities, which ensure the long-term development goals and guidance of energy sectors.

Article 7.

Local and regional self-government units shall include in their development plans their energy needs and the manner in which they will meet them; they shall align these documents

with the Energy Strategy and the Strategy Implementation Programme.

Article 8.

On the basis of the Energy Strategy and the Strategy Implementation Programme, including the development plans and programmes prepared by local and regional self-government units, energy undertakings shall draw up their plans and programmes for construction, maintenance and use of energy plants and facilities and other needs in carrying out energy activities, with due regard to obligations arising from international contracts.

Article 9.

(1) The Government of the Republic of Croatia shall pass long-term and annual energy balances that will determine total energy consumption, energy demand, sources (types) of energy and measures to be implemented for meeting the demand.

(2) The energy balance shall comprise:

- the required level of spare capacity of energy plants and facilities,
- the required level of operational stocks of individual types of energy and energy-generating products
- the requirements related to efficient energy use,
- estimate of electricity consumption per month and per geographical area,
- report on the use of natural gas for the previous heating season,
- planned and actual consumption of each type of energy for the previous year, and planned consumption for the current year,- planned and actual energy consumption by sector,
- planned and actual energy consumption by county,
- the requirements related to minimum share of renewable sources and energy efficiency.

(3) The actual annual energy balance is to be passed at the latest by 15 December of the current year for the previous year.

(4) The planned annual energy balance is to be passed at the latest by 31 March of the current year for the current and following year.

(5) State administration bodies, local and regional self-government units, energy undertakings and customers that have a significant share in energy consumption shall at the latest by 31 January of the current year deliver preliminary data to the Ministry for the purpose of determining the planned annual energy balance. The parties obliged to submit data shall deliver final data for preparation of the actual annual energy balance no later than 31 July of the current year.

(5) The Minister shall pass an ordinance which shall prescribe the content and manner of

submitting the data by the parties referred to in paragraph 5 of this Article to the Ministry for the purpose of drafting energy balance proposals. A list of customers obliged to submit data shall be established by the Ministry.

Article 10.

(1) For the purpose of proving the share of energy produced by individual energy sources for final customers, the system of guarantees of origin of energy shall be introduced.

(2) The Government of the Republic of Croatia shall pass a regulation regulating in detail the system of guarantees of origin of energy referred to in paragraph 1 of this Article.

Article 11

(1) Funding of the energy programmes and projects shall be carried out through the fund for financing of energy efficiency and use of renewable energy sources.

(2) In addition to the fund referred to in paragraph 1 of this Article, energy programmes and projects may also be funded from other sources.

III. ENERGY EFFICIENCY AND RENEWABLE ENERGY SOURCES

Article 12.

(1) Efficient energy use is of interest to the Republic of Croatia.

(2) Efficient energy use in production, transport and final consumption will be regulated by a special act.

Article 13.

(1) The use of renewable energy sources is of special interest to the Republic of Croatia.

(2) Powers and responsibilities for determining and implementing policy to incentive the production of energy from renewable energy sources, conditions and methods of production and use of energy from renewable energy sources on the energy market, financial incentives for the use of renewable energy sources and other issues related to renewable energy sources are regulated with this Act, a special act that regulates the use of renewable energy sources, as well as with other legislation.

(3) Eligible producers in the incentive system shall not supply the energy produced in facilities for use of renewable energy sources to international markets.

(4) The energy produced from renewable sources in the Republic of Croatia shall be calculated in the balance of obligations of the Republic of Croatia under international agreements and obligations of the Republic of Croatia. Energy facilities in border areas that use joint hydro-potential may be exempted.

Article 14

(1) For the purpose of monitoring and planning energy consumption, providing incentives for energy efficiency and development of renewable energy sources, an agency may be established by a special act or the listed tasks may be entrusted to an existing legal person owned by the Republic of Croatia which has professional capacities to perform the listed tasks.

(2) For the purpose of monitoring and planning energy consumption, providing incentives for energy efficiency and development of renewable energy sources, local and regional self-government units may in their territory establish a related regional energy agency.

IV. PERFORMANCE OF ENERGY ACTIVITIES

Article 15.

(1) For the purposes of this Act, energy activities are:

1. production of energy,
2. transmission or transport of energy,
3. energy storage
4. distribution of energy,
5. energy facilities management
6. supply of energy,
7. energy trading and
8. organisation of the energy market

(2) Energy activities shall be specified by special legislation regulating energy markets.

(3) By way of derogation, in respect to paragraph 2 of this Article, energy activities related to oil and oil derivatives are:

1. production of oil derivatives,
2. transportation of oil through oil pipelines,
3. transportation of oil derivatives through product pipelines,
4. transportation of oil, oil derivatives and biofuels by road vehicles,
5. transportation of oil, oil derivatives and biofuels by railway,

6. transportation of oil, oil derivatives and biofuels by waterway,
7. wholesale of oil derivatives,
8. retail sale of oil derivatives,
9. storage of oil and oil derivatives,
10. storage of liquefied petroleum gas (LPG),
11. wholesale of liquefied petroleum gas (LPG),
12. retail sale of liquefied petroleum gas (LPG)

Article 16.

(1) Legal and natural persons may perform an energy activity only on the basis of a licence that allows them to carry out such activity (hereinafter: licence).

(2) The licence referred to in paragraph 1 of this Article shall be issued by the Agency.

(3) Special legislation regulating individual energy markets shall define energy activities which do not require a licence for performing the activity.

(4) By way of derogation, in respect to paragraph 3 of this Article, energy activities related to oil and oil derivatives that do not require a licence for performing the activity are:

1. transportation of oil, oil derivatives and biofuels by road vehicles,
2. transportation of oil, oil derivatives and biofuels by railway,
3. transportation of oil, oil derivatives and biofuels by waterway,
4. retail sale of oil derivatives and
5. retail sale of liquefied petroleum gas (LPG),

Article 17.

(1) A licence may be issued to a legal or natural person provided:

1. it is registered for carrying out energy activities,
2. it is technically qualified to carry out energy activities,
3. it employs the necessary number of personnel qualified to carry out energy activities,

4. it has available funds necessary for carrying out energy activities, or can prove that it can provide them,

5. the licence for the energy activity for which the energy undertaking applies has not been cancelled during the last five years preceding the year of application,

6. the members of its Board, or other persons accountable to them in the legal person, have not been convicted for an economic crime during the last five years, or to a natural person who has not been convicted for an economic crime during the last three years.

(2) Subject to the opinion of the Agency, the Minister shall prescribe by ordinance the conditions laid out in paragraph 1 items 2 and 3 of this Article, as well as the form, content and manner of keeping the register of issued and cancelled licences.

(3) An appeal may be filed with the Ministry against a decision refusing the issuance of a licence for carrying out energy activities.

Article 18.

(1) The licence for carrying out energy activities may be cancelled by the Agency before its expiration, by virtue of a decision:

1. temporarily, if the energy undertaking:

- fails to fulfil some of the conditions laid out in Article 17 paragraph 1 items 1, 2, 3 and 4 of this Act, or

- fails to carry out the energy activity for which it obtained a licence in the manner prescribed by law and subordinate legislation, or

- in the period of three consecutive months fails to timely meet its obligations to other energy undertakings that carry out their activities as a public service.

2. permanently, if the energy undertaking fails to remedy the deficiencies laid out in the decision on temporary cancelling of the licence, or if it fails to remedy the deficiencies within the period stipulated in the decision passed by the competent inspector.

(2) In addition to the conditions referred to in paragraph 1 of this Article, the Agency may, by virtue of a decision, temporarily or permanently cancel the licence for carrying out energy activities before its expiration if the competent inspection establishes safety failures of the plants, facilities, devices, network or system and informs the Agency thereof.

(3) The decision on temporary cancellation of the licence shall set out a time limit in which the energy undertaking must remedy the deficiencies because of which its licence was temporarily cancelled.

(4) The Agency may, when there are reasons for temporary cancellation of a licence, or when there are reasons due to which the licence was temporarily cancelled or a suspension of carrying out activities was imposed upon the energy undertaking, upon obtaining an opinion from the competent inspection service, issue a decision temporarily allowing the performance

of energy activities when it is indispensable for the purpose of ensuring the secure and reliable supply of energy in order to prevent and/or remove severe and direct threats for the health and safety of people, or in order to avoid serious disturbances in the economy, with obligation to remedy all deficiencies, in which case the Agency shall stay the execution of the decision on temporary cancellation of a licence, that is, the execution of the decision on suspension of activities of the energy undertaking.

(5) Other reasons for cancelling the licence may be prescribed by special legislation regulating individual energy markets.

(6) An appeal may be filed with the Ministry against the decision referred to in paragraphs 1, 2 and 3 of this Article..

Article 19.

(1) When it is absolutely necessary to ensure the regular and secure supply of energy in order to prevent or remove serious damage to the operation of legal persons and in the life and work of natural persons, particularly in hazardous situations which may pose a threat to the life and health of citizens, the Agency may issue a decision by which it may order the energy undertaking whose licence was permanently cancelled or which stopped performing energy activities,, to transfer its plants, facilities, devices, network or system to another energy undertaking for the purpose of carrying out energy activities..

(2) Prior to issuing the decision referred to in paragraph 1 of this Article, the Agency shall establish the capacity and interest of another energy undertaking to continue carrying out energy activities of the energy undertaking whose licence was permanently cancelled or which stopped performing energy activities.

(3) By issuing the decision referred to in paragraph 1 of this Article, the Agency may impose the obligation of operating the plants, facilities, devices and networks or systems to another energy undertaking.

(4) The energy undertaking that takes over the energy activities pursuant to the decision referred to in paragraph 1 of this Article shall be obliged to make the plant, facility, device, network or system operational in the name and account of the owner.

(5) An appeal may be filed with the Ministry against the decision referred to in paragraph 1 of this Article.

Article 20.

(1) In order to comply with conditions of safety and quality of supply and of a more efficient energy consumption as well as of reliable management and operation of energy facilities and devices, employees who carry out certain activities of management and operation of energy facilities and devices must pass a state exam.

(2) By the Ordinance on management and operation of energy facilities and devices the Minister shall prescribe the positions of employment and activities on such positions that

require passing of the state exam referred to in paragraph 1 of this Article.

(3) Positions of employment and activities on such positions, professional qualifications, other conditions for performing activities on specific positions of employment, professional training, knowledge examination methods, periodical knowledge tests and examination committee shall be prescribed and regulated in detail by the Ordinance referred to in paragraph 2 of this Article.

(4) The Ministry is responsible for the implementation of the state exams.

(5) The Minister shall designate in his decision the examination committee for the purpose of holding the state exams referred to in paragraph 1 of this Article.

V. ENERGY MARKET AND PUBLIC SERVICES

Article 21.

(1) Energy activities specified by this Act shall be carried out according to the rules regulating them as market-based or as public services.

(2) Energy activities carried out as public services shall be prescribed in detail by special legislation regulating individual energy markets.

Article 22

(1) The Government of the Republic of Croatia may, at the Ministry's proposal, by a decision authorise a body with public authority or a legal person owned by the Republic of Croatia which has professional knowledge and capacities to perform the activities of tendering, contracting and purchasing energy for the needs of institutions subject to public procurement that are owned by the Republic of Croatia.

(2) Local and regional self-government units may by a decision designate the body appointed by the Government of the Republic of Croatia referred to in paragraph 1 of this Article, a legal person established by the regional self-government unit or the regional energy agency which has professional knowledge and capacities to perform the activities of tendering, contracting and purchasing energy for the needs of institutions subject to public procurement that are owned by local and regional self-government units.

(3) The body or legal person to which the obligation referred to in paragraphs 1 and 2 of this Article was assigned may not be an energy undertaking.

Article 23.

(1) When an energy undertaking carries out two or more energy activities, or when in addition to an energy activity it carries out some other activity, it shall keep separate accounts and prepare financial reports for each activity independently and separately, in accordance with accounting regulations for entrepreneurs.

(2) By way of derogation, the provision of paragraph 1 of this Article shall not apply to the energy undertaking that for tariff customers carries out , the energy activity of thermal

energy production, energy activity of thermal energy distribution or energy activity of thermal energy supply, in the part relating to the keeping of separate business accounts and preparing of separate financial reports for those energy activities; for these activities, special business accounts shall be kept and financial reports drawn up, separately from other activities.

(3) The Agency shall specify by a decision specify the manner and procedure for separate accounting.

Article 24.

(1) When the operator of a transmission/transport system is organized in an independent legal person outside the structure of a vertically integrated undertaking, while at the same time the person or persons ensuring the independency of the operator of the transmission/transport system are a state public body or other public law authority, two different public law authorities which cannot be represented by the same person or persons, control the operator of the transmission/transport system or transmission/transport network on one side and an energy undertaking that performs one of the activities of producing energy or supply of energy on the other side.

(2) The independency of the operator of the transmission/transport system, described in paragraph 1 of this Article, is ensured in a way that the person or persons that ensure the independency of the operator of the transmission/transport system cannot be superior or subordinated to the person or persons that directly or indirectly control the energy undertaking that performs one of the activities of energy production or energy supply.

(3) State public bodies or other public law authorities representing the persons described in paragraph 1 of the Article, cannot be superior one to another.

(4) One state public body or other public law authority can at the same time have control over an operator of a transmission system and over an operator of a transport system described in paragraph 1 of this Article, when the controlling relation regarding the independency of the operator of the transmission system and of the operator of the transport system towards energy undertakings for production and energy undertakings for supply of energy is the same. When the conditions of the controlling relation regarding the independency of the operator of the transmission system and the operator of the transport system are not fulfilled, then the paragraphs 1 till 3 of this Article must apply to state bodies or other public law authorities or persons that participate in the control of the operator of the transmission system and the operator of the transport system.

Article 25.

(1) Energy undertakings that produce electricity and/or heat, or produce or import oil and oil derivatives (except for transit) shall keep and renew operational stocks.

(2) The method of keeping and determining the level of operational stocks, as well as the rights and obligations of undertakings obliged to keep operational stocks in dealing with operational stocks shall be prescribed by the Minister by way of an ordinance.

Article 26.

(1) In case of disturbance in the domestic market due to unexpected or continual shortage of energy; in case of immediate threat to the sovereignty and integrity of the country and

serious natural catastrophe or technological catastrophe (emergency situations) the Government of the Republic of Croatia may prescribe the following measures:

- impose constraints on trading with specific energy-generating products and/or energy ,
- prescribe special trading conditions,
- limit exports or imports of energy,
- prescribe special conditions for exports or imports of energy,
- introduce measures for obligatory energy generation,
- impose obligation of energy delivery to selected customers only,
- prescribe manner and conditions for pricing and monitoring prices,
- impose special conditions for carrying out energy activities,

(2) These measures shall be of temporary nature and may be implemented so long as the circumstances for imposing such measures or consequences resulting from such circumstances exist. The Ministry shall inform the competent authorities of such measures being taken, in accordance with obligations ensuing from ratified international agreements.

Article 27.

(1) The Ministry is responsible for a reliable and secure supply of energy.

(2) Obligations for the purpose of securing the safety of supply are prescribed by special legislation that regulates individual energy markets..

(3) The Government of the Republic of Croatia, at the proposal of the Ministry, which has obtained an opinion of the Agency, shall once a year, by 30 June of the current year present and publish for the previous year a report on the security of energy supply and on the expected energy needs, which shall contain:

- operational safety of the grid,
- predicted balance of production and consumption for the following five-year period,
- expected security status of supply in the following five to fifteen years from the report date,
- investment plans of the transmission system operator and other undertakings regarding the transmission network/transportation system (for which such plans are known) for the following five or more years, which shall also comprise construction of cross-border lines,
- principles of network congestion management in line with international rules,
- existing and planned transmission network/transportation system lines,

- expected development of production, supply, cross-border exchange and consumption, taking into account consumption management measures, and

- regional, national, and European objectives of sustainable development, including international projects.

(4) Energy undertakings carrying out the energy activity of energy production, energy transmission or transport, energy storage, energy distribution or energy facility management shall by 31 March of the current year prepare a report for the previous year in line with the contents referred to in paragraph 3 of this Article and deliver it to the Ministry.

VI. ENERGY PRICES

Article 28.

Energy price for final customers shall include:

Energy price for final customers shall include:

- a portion of price that is freely negotiated,
- a portion of price that is regulated, and may be determined by applying the tariff system,
- fees and other charges prescribed by special regulations.

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Article 29.

(1) A tariff system comprises a prescribed methodology and amounts of tariff items.

(2) Tariff systems should promote mechanisms for improvement in energy efficiency and consumption management, including increased use of renewable energy sources and cogeneration.

(3) The methodology referred to in paragraph 1 of this Article shall be based on justified costs of operation, maintenance, replacement, construction and reconstructions of facilities and environmental protection and it must ensure an appropriate return on reasonable investments, and may be based on the method based on incentive regulation or some other method of economic regulation.

(4) The methodology referred to in paragraph 1 of this Article shall be non-discriminatory and transparent and shall be passed by the Agency.

(5) Tariff items are included in the methodology and specified according to the type of energy service, power/capacity, quantity, quality and other elements related to the energy delivered, and may differ depending on the type of customer, delivery period and seasonal or daily delivery pattern.

(6) Tariff system items shall enable the calculation of the energy price for the billing period.

(7) Energy undertakings whose activities are subject to the methodology referred to in paragraph 1 of this Article shall submit an application for determination or modification of amounts of tariff items to the Agency.

(8) The Agency shall deliver to the energy undertaking its decision on approval, or refusal of the application submitted by the energy undertaking referred to in paragraph 7 of this Article within the period defined by the methodology referred to in paragraph 1 of this Article.

(9) In case of refusal of the application referred to in paragraph 7 of this Article, the Agency shall in its decision on refusal autonomously specify the amounts of tariff items. (10) The Agency may autonomously specify by decision the amounts of tariff items based on the methodology referred to in paragraph 1 of this Article.

(11) The Agency shall be obliged to publish the amounts of tariff items specified pursuant to the decision referred to in paragraph 8 or 10 of this Article.

(12) The fee for organisation of the electricity market and for organisation of the gas market shall be established by the Agency according to proposal of the energy market operator on the basis of justified operation costs.

(13) The application of tariff systems and fees shall be supervised by the Agency.

Article 30.

(1) The Agency shall pass tariff methodologies for distribution and transmission or transport of energy.

(2) The tariff system for electricity and/or heat production from renewable energy sources and cogeneration and for biofuel production shall be passed by the Government of the Republic of Croatia.

(3) In addition to the energy activities referred to in paragraph 1 of this Article, the Agency shall pass a methodology for an individual energy activity, if prescribed by special legislation.

Article 31.

(1) The electricity price for customers of the same category, in the scope of universal service, shall be the same in the entire area of the Republic of Croatia.

VII. CONDITIONS FOR CONNECTING AND USING OF NETWORK AND FOR ENERGY SUPPLY

Article 32.

(1) The Government of the Republic of Croatia shall, at the proposal of the Minister and upon the prior opinion obtained from the Agency, prescribe the procedures for the issuance of energy approvals laying down separate conditions for connection to the energy network, , as well as contractual relations between the user of the grid and the competent energy undertaking concerning conditions and time-limits for connection.

(2) The conditions and time-limits for connection to the network contained in the energy approval are a constituent part of special, individual acts laying down the right to carry out intended works in the area, that is, the right to construction, and are issued by the competent authority pursuant to the Act on Physical Planning and Construction.

Article 33.

(1) The methodology for determining the fee for connection to the network/system of new and for increase in connected load/capacity of existing energy undertakings and final customers, shall be specified by the Agency. The methodology shall be based on objective, transparent and non-discriminatory principles and the principle of cost-effective connection to the network.

(2) The fee for connection to the network/system of new and for increase in connected load/capacity of existing undertakings and final customers shall consist of the cost for creating technical conditions in the network/system and the cost for making the connection to the network.

(3) The connection fee referred to in paragraph 2 of this Article represents the energy undertaking's and final customer's share in financing the construction of the connection and a share for creating technical conditions in the network/system. System operators shall use the proceeds from collected fees for designated purposes of the construction of connections, realizing technical conditions and development of the network, in line with the methodology from paragraph 1 of this Article

(4) Data from the cadastre of the lines necessary to make the connection to the network must be made available to energy undertakings and final customers upon request.

Article 34.

(1) The decision on the amount of the fee for connection to the network/system and for increase in connected load/capacity determined by the methodology referred to in Article 33 paragraph 1 shall be passed by the Agency on the basis of the application for determination or modification of the amount of the fee for connection to the network/system and for increase in connected load/capacity or autonomously.

(2) The application of the methodology referred to in Article 33 paragraph 1 of this Act and the prescribed fees referred to in paragraph 1 of this Article shall be supervised by the Agency.

Article 35.

(1) The Agency shall prescribe general conditions for energy supply that are identical for all energy undertakings in the territory of the Republic of Croatia.

(2) General conditions of energy supply shall be adopted separately for the gas sector, the electricity sector and the heating sector, in line with legislation regulating the carrying out of individual energy activities.

(3) Energy undertakings shall apply the general conditions in accordance with their energy activity.

(4) The supplier shall adopt the supplier's conditions which have to be in accordance with the general conditions of energy supply.

(5) The supplier's conditions referred to in paragraph 4 of this Article shall be published.

Article 36.

(1) The Agency shall adopt conditions on quality of energy supply.

Article 37

(1) The network/system operator shall specify technical requirements and costs of introducing advanced metering devices and the system for their networking and shall submit them to the Agency.

(2) Based on the information referred to in paragraph 1 of this Article, the Agency shall carry out a cost-benefit analysis and obtain the opinion of the representative of the consumer protection body for introduction of advanced metering devices to final customers.

(3) Based on the analysis referred to in paragraph 2 of this Article, the Minister shall draw up the Plan and Programme of measures to introduce advanced metering devices to final customers.

(4) The implementation of the Plan and Programme referred to in paragraph 3 of this Article shall be supervised by the Agency.

(5) When using advanced metering devices, the measuring data shall be collected, processed and used in accordance with provisions on personal data protection.

Article 38.

(1) Suppliers shall at least once a year inform the final customers about the origin of the electricity they are supplying.

(2) The methodology for determining the origin of the electricity and the method of informing the final customers shall be prescribed by the Agency.

VII. FINAL CUSTOMERS UNDER SPECIAL PROTECTION

Article 39.

(1) For safety reasons in emergency situations, potential threats to their lives and work as well as for social reasons, final customers of energy from networked systems may be under special protection (protected customer and vulnerable customer).

(2) The Government of the Republic of Croatia shall by a regulation specify criteria for acquiring the status of protected customer and protection measures for securing reliable supply for protected customers.

(3) The status of protected customer may be granted to vulnerable household customers supplied as a public service obligation within the scope of a universal service and/or gas supply as a public service obligation, and/or to heat supply service to tariff customers, if the following persons are living in the household of such customer:

- persons of vulnerable social status and eligible for that form of social welfare,, established as such by bodies competent for social welfare issues, and/or

- persons with certain degrees of disability, persons with special needs or persons of poor health whose lives or health may be threatened in cases of energy supply limitation or disconnection.

(4) Final household customers meeting poverty criteria as prescribed by special regulations shall have the right to a social minimum of energy consumption based on supply conditions to their flats/houses, the number of family members, health condition of family members and economic status of the family.

(5) The Ministry, in cooperation with the ministry competent for social welfare, shall submit a proposal to the Government of the Republic of Croatia for determining the criteria for acquiring the status of vulnerable customer.

(6) The Government of the Republic of Croatia shall adopt a regulation laying down the criteria referred to in paragraph 5 of this Article.

(7) The competent body in charge of social welfare services shall, in a administrative procedure and by a single act, establish the status of a vulnerable customer, and determine the level of social welfare support for that vulnerable customer, that is, the type and scope of rights he is entitled to in respect of the status established, and the method of participation in covering the costs of the social minimum of energy consumption, etc.

XI. RIGHT OF WAY AND SPECIAL CONDITIONS

Article 40.

(1) An energy undertaking shall have the right to use properties that are not in its ownership for the construction and maintenance of networks and systems used for the transmission and/or transport and distribution of energy, in compliance with special regulations.

(2) Legal and natural persons shall be obliged to enable an energy undertaking access to their property on which there are the energy undertaking's facilities, devices, network, or system, for the purpose of inspection and maintenance, cutting trees or other vegetation that might obstruct the operation of the facilities, devices, network or system.

(3) Legal and natural persons shall be obliged to enable energy undertakings' access to measuring devices situated on their property, and may not prevent an energy undertaking from turning off measuring devices or other appliances of the energy system.

(4) Legal and natural persons referred to in paragraphs 2 and 3 of this Article shall be entitled to compensation or indemnification pursuant to general regulations.

Article 41.

(1) During construction, and while performing an energy activity or using energy, energy undertakings and electricity customers shall meet all prescribed requirements for securing safety and quality of supply, and use of energy.

(2) Energy facilities, including containers under pressure within energy facilities, plants, lines and network connections, as well as customer facilities and installations, shall comply with the prescribed conditions for securing safety and quality of supply, and use of energy in the course of:

- designing, equipment manufacturing, construction, testing and confirmation of compliance, trial run and putting the facility into operation;

- performing an energy activity and using energy, or in the course of operation and maintenance.

(3) The Minister shall prescribe by ordinance technical regulations, requirements and conditions for securing safety and quality of supply and use of energy referred to in paragraphs 1 and 2 of this Article, subject to prior opinion of the minister competent for environmental protection, minister competent for construction, minister competent for health, director of the Croatian national standardisation body and the Chief Inspector in the State Inspectorate.

Article 42.

Buildings constructed without a building permit or some other appropriate document permitting construction and buildings undergoing a building inspection procedure related to suspension of construction or removal of the building pursuant a special regulation shall not be connected to the energy system.

Article 43.

(1) Energy undertakings, in carrying out their activities, shall not be held liable for damage caused to other energy undertakings and users of services in the event of force majeure.

(2) For the purposes of this Act, events of force majeure include any events or circumstances which even if foreseeable cannot be prevented and which cannot be influenced, diminished, removed or rendered inactive. These are, in particular:

- natural disasters (earthquake, flood, lightning strike, storm, drought, icing, etc.)
- epidemics,
- explosions, other than those caused by improper or careless handling, which are not foreseeable and are not due to wear and tear of materials or equipment,
- war, riot or sabotage,
- cyber/internet attack
- decisions of the Government of the Republic of Croatia referred to in Article 26 of this Act, as well as any other events and circumstances recognised and designated as force majeure by special arbitration.

X. SUPERVISION

Article 44.

(1) Administrative supervision over the implementation of this Act and regulations adopted on the basis thereof shall be carried out by the Ministry.

(2) Inspectional supervision over the implementation of this Act shall be carried out by the State Inspectorate and other competent inspectors pursuant to special regulations.

Article 45.

If the inspectors of the State Inspectorate or other competent inspectors pursuant to special regulations, in the carrying out of inspectional supervision, establish that an energy undertaking is failing to perform the energy activity, and that the energy customer is not using energy pursuant to the provisions of this Act or regulations adopted on the basis thereof, in addition to its competences laid down by general regulations, the inspectors shall be authorised to issue a decision:

- ordering the removal of established irregularities or omissions and setting the time-limit their removal,
- prohibiting construction of an energy facility, if a construction permit has not been obtained,
- prohibiting the carrying out of the energy activity where no proper licence for carrying out the activity or appropriate document permitting the construction of the facility has been obtained,

- ordering the suspension of construction or use of an energy facility, or suspension of energy supply or energy use, if the equipment for the energy facilities is not manufactured anymore, and those facilities are not constructed, used or maintained in accordance with the approved or confirmed documentation pursuant to special technical and other regulations, and if that creates immediate danger for the stability and safety of energy facilities, health or life of people, or safety of traffic or of neighbouring buildings.

- ordering the energy undertaking that performs energy transmission or energy distribution, to cut off the connection of the building to the energy network that has been made contrary to the provisions of Article 42 of this Act.

Article 46.

(1) The inspector of the State Inspectorate shall by a decision order the removal of irregularities and shall order an acceptable time limit for removal of the irregularities in the case that:

- products are not labelled with a label of energy efficiency or if the label of energy efficiency is incomplete or incorrect

- products are not accompanied by an information sheet or if the information sheet is incomplete or incorrect

- products are labelled with unauthorised or misleading labels (energy efficiency of the product)

- in advertising and in promotion materials the level of energy efficiency is not published

- technical documentation is not available or it does not exist or it is incomplete

- the materials about total quantities placed on the market and made available in the Republic of Croatia have not been delivered to the Ministry in the set time frame

(2) In the case that the irregularities referred to in paragraph 1 of this Article have not been removed in the set time frame, the inspector shall prohibit the placing of products on the market and/or making them available, restricting the placing on the market and/or ordering the withdrawal of products from the market.

XI. MISDEMEANOUR PROVISIONS

Article 47.

(1) Any party connected to any energy system without obtaining prior approval by the energy undertaking, shall be sanctioned by:

- a cash fine, or

- imprisonment for a period up to three years.

(2) Any items used used for committing a crime referred in paragraph 1 of this Article

shall be seized.

Article 48.

(1) An energy undertaking and a local and regional self-government unit shall be fined for misdemeanour in the amount of HRK 5,000.00 to 60,000.00 if it:

1. fails to submit to the Ministry the data prescribed by the Ordinance on energy balance of Article 9, paragraph 2 of this Act,

2. connects the building to the energy system without a building permit or some other appropriate document permitting construction of the building in accordance with Article 42 of this Act,

3. does not permit competent bodies to carry out supervision or does not present true and accurate data necessary for supervision.

(2) A cash fine ranging from HRK 500.00 to 3,000.00 shall be imposed on the responsible person of a legal person for any misdemeanour referred to in paragraph 1 of this Article.

Article 49.

(1) An energy undertaking shall be fined for a misdemeanour in the amount of HRK 20,000.00 to 500,000.00 if it:

1. performs an energy activity without a licence for the carrying out that energy activity (Article 16, paragraph 1 of this Act),

2. fails to keep accounts and draw up financial reports in the manner prescribed under Article 23 paragraphs 1 and 2 of this Act,

3. fails to keep or renew operational stocks (Article 25),

4. fails to calculate energy prices by applying the tariff methodology in the manner prescribed in Article 29, paragraphs 8, 9 and 10 of this Act,

5. performs an energy activity contrary to the General Conditions of Energy Supply referred to Article 35 of this Act,

6. fails to calculate and charge fees referred to in Article 34, paragraph 1 of this Act,

7. fails to implement technical regulations, requirements and conditions referred to in Article 41 of this Act,

9. fails to implement the decision of the inspector referred to in Article 45 of this Act.

(2) A cash fine ranging from HRK 5,000.00 to 50,000.00 shall be imposed on a responsible official of the legal person of the energy undertaking for any misdemeanour referred to paragraph 1 of this Article.

(3) In addition to a cash fine, in case of committing several misdemeanours or repeating within one year misdemeanours referred to in paragraph 1 of this Article , the energy undertaking may be sanctioned by suspension from carrying out the same activities for up to one year, and the energy undertaking's responsible person may be barred from carrying out the same activities for a period of up to one year.

Article 50.

(1) A cash fine ranging from HRK 20,000.00 to 500,000.00 shall be imposed on a legal person for a misdemeanour if it:

1. performs an energy activity without a licence for the carrying out of the energy activity (Article 16, paragraph 1),
2. fails to implement technical regulations, requirements and conditions referred to in Article 41 of this Act,
3. does not implement the decision of the inspector referred to in Article 45 of this Act,
4. employs on certain positions persons who have not passed the state exam (Article 20),
5. does not comply with the regulations governing the system of guarantees of origin of energy (Article 10)

(2) A cash fine ranging from HRK 5.000,00 to 50.000,00 shall be imposed on the responsible person in the legal person for any misdemeanour referred to in paragraph 1 of this Article.

(3) A cash fine ranging from HRK 5.000,00 to 50.000,00 shall be imposed on the natural person for any misdemeanour referred to in paragraph 1 of this Article.

Article 51.

(1) A cash fine ranging from HRK 5,000.00 to 20,000.00 shall be imposed on a legal person for a misdemeanour if it:

1. fails to enable access to an energy undertaking to its property for the purpose of inspection and maintenance of facilities, devices, network or the system, or cutting trees or other vegetation (Article 40),
2. fails to enable turning off measurement or other devices of the energy system (Article 40, paragraph 3),

(2) A cash fine ranging from HRK 2,000.00 to 5,000.00 shall be imposed on the responsible person of the legal person for any misdemeanour referred to in paragraph 1 of this Article.

(3) A cash fine ranging from HRK 500.00 to 2,000.00 shall be imposed on a natural person for any misdemeanour referred to paragraph 1 of this Article.

Article 52

(1) A cash fine ranging from HRK 5,000.00 to 50,000.00 shall be imposed on a legal person for a misdemeanour if it:

- fails to label products as energy efficient or the energy efficiency label is incomplete or incorrect

- fails to accompany products with an information sheet or if the information sheet is incomplete or incorrect,

- if products are labelled with unauthorised or misleading labels as to energy efficiency of the product,

- if in advertising and promotion materials the prescribed data on energy consumption and/or level of energy efficiency and similar is not published,

- if technical documentation is not available or it does not exist or it is incomplete,

- that the data on total quantities placed on the market and/or made available in the Republic of Croatia have not been delivered to the Ministry in the set time frame.

(2) A cash fine ranging from HRK 5,000.00 to 15,000.00 shall be imposed on the responsible person for any misdemeanour referred to in paragraph 1 of this Article.

(3) A cash fine ranging from HRK 300.00 to 3,000.00 shall be imposed on the responsible person of a legal person for any misdemeanour referred to in paragraph 1 of this Article.

XII. TRANSITIONAL AND FINAL PROVISIONS

Article 53.

(1) Energy undertakings that perform energy activities for which a license is required under the provisions of this Act shall obtain the license for carrying out an energy activity within 12 months after this Act enters into force

(2) Energy undertakings that have valid licenses issued according to the provisions of the Energy Act that ceases to be valid upon entry into force of this Act shall obtain licenses at the latest until the expiry of valid licenses.

Article 54.

(1) The Government of the Republic of Croatia shall adopt implementing regulations referred to in Article 4, paragraph 6, Article 10, paragraph 2, Article 32, paragraph 1, Article 39, paragraph 2 and 5 of this Act within six months after entry into force of this Act.

(2) The Minister shall adopt implementing regulations pursuant to Article 9 paragraph 6, Article 17, paragraph 2, Article 20, paragraph 2, Article 25, paragraph 2; Article 33, paragraph 1; Article 36; Article 38, paragraph 2 and Article 41, paragraph 3 of this Act within six months after entry into force of the subordinate regulations referred to in paragraph 1 of

this Article.

(3) The Agency will adopt implementing regulations referred to Article 23, paragraph 3, Article 29, paragraph 4, , Article 35, paragraph 1 of this Act within six months after entry into force of this Act.

Article 55.

(1) Until entry into force of the subordinate regulations of Article 53, paragraphs 1 till 3 of this Act, subordinate regulations that regulate certain relational issues shall apply as long as they are not contradictory to the regulations of this Act.

(2) The following subordinate legislation adopted pursuant to Article 12, paragraph 5, Article 13, paragraph 4 and Article 14, paragraph 2 and 3 of the Energy Act (“Official Gazette” 68/01, 177/04, 76/07, 152/08, 127/10) shall remain in force:

- Ordinance on the use of renewable energy sources and cogeneration („Official Gazette“, 67/07)

- Tariff system for the production of electricity out of renewable energy sources and cogeneration („Official Gazette“, 63/12)

- Regulation on incentive fees for promoting the production of electricity out of renewable energy sources and cogeneration („Official Gazette“, 33/07, 133/07, 155/08, 155/09),

- Ordinance on energy efficiency labelling of household appliances („Official Gazette“, 130/07),

- Ordinance on energy efficiency labelling of household dishwashers („Official Gazette“, 130/07),

- Ordinance on energy efficiency labelling of household washing machines („Official Gazette“, 101/11),

- Ordinance on energy efficiency labelling of household refrigerators („Official Gazette“, 101/11),

- Ordinance on energy efficiency labelling of televisions („Official Gazette“, 101/11),

- Ordinance on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products (Official Gazette 101/11),

until the adoption of subordinate legislation in accordance with regulations referred to Article 12, paragraph 2 of this Act that regulate specific issues regarding efficient energy use in production, transport and final consumption, or in accordance with regulations referred to in Article 13, paragraph 2 of this Act that regulate specific issues regarding the use of renewable energy sources.

(3) Until the adoption of regulated prices, fees and other charges pursuant to this Act, the

valid regulated prices, fees and charges shall apply.

Article 56.

The procedures started until entry into force of this Act shall be continued and completed according to the provisions of the Energy Act („Official Gazette“, 68/01, 177/04, 76/07, 152/08 and 127/10).

Article 57.

On the date this Act enters into force, the Energy Act will cease to be valid (“Official Gazette” nr. 68/01, 177/04, 76/07, 152/08, 127/10) with the exception of Article 13, until the adoption of a special act which will regulate efficient energy use in production, transport, distribution and final consumption.

Article 58.

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, except Article 24 of this Act which shall enter into force on the date of accession of the Republic of Croatia to the European Union.