

Croatian Energy Market Operator

ELECTRICITY MARKET RULES

Unofficial non-binding translation

Zagreb, December 2006

In accordance with Article 30, paragraph 2 of the Electricity Market Act (Official Gazette 177/04) and Decision of the Croatian Energy Regulatory Agency concerning approval of Electricity Market Rules, Class: 310-02/06-01/71, File no.: 371-01/06-96 dated 8 December 2006, the Croatian Energy Market Operator adopted on 9 December 2006 the following

E L E C T R I C I T Y M A R K E T R U L E S

I. G E N E R A L P R O V I S I O N S

Article 1

The Electricity Market Rules (hereinafter referred to as the "Market Rules") have been drawn up on the basis of the Energy Act (Official Gazette 68/01, 177/04), the Electricity Market Act (Official Gazette 177/04) and the Energy Activities Regulation Act (Official Gazette 177/04) (hereinafter referred to as the "Energy Acts").

Article 2

These Market Rules set out the following:

- procedures by which the Croatian Energy Market Operator (hereinafter referred to as the "Market Operator") organizes the electricity market,
- relations between the Market Operator and electricity market participants,
- relations between the Market Operator and the HEP-Operator prijenosnog sustava (hereinafter referred to as the "Transmission System Operator"),
- relations between the Market Operator and the HEP-Operator distribucijskog sustava (hereinafter referred to as the "Distribution System Operator").

Article 3

The Market Rules shall be binding upon all electricity market participants and upon all subjects taking part in procedures and activities regulated by these Market Rules.

Article 4

There shall be one electricity market in the Republic of Croatia.

Article 5

The terms used herein shall have the meanings ascribed to them in the Energy Acts, the General Conditions of Electricity Supply (Official Gazette 14/06) and the Grid Code (Official Gazette 36/06).

In line with these Market Rules, the terms herein shall have the following meanings:

- **Balancing Energy** means the electricity needed to cover the difference between the electricity actually supplied or off-taken and the electricity specified in the Contractual Schedule;
- **Bilateral Schedule** means electricity supply and/or off-take hourly plan for the Delivery Day, made on the basis of contracts between two market participants;
- **Contractual Schedule** means the schedule for the Delivery Day which contains one or more Bilateral Schedules;
- **Delivery Day** means any day from 00:00 to 24:00 on which actual delivery of electricity is taking place;
- **EIC Code** means Energy Identification Coding scheme, which is unique code for Market Participant in European electricity market, issued by ETSO authorized Issuing Office;
- **Electricity Market Participant** (hereinafter referred to as "Market Participant") means any producer, supplier, trader or eligible customer;
- **ETSO** means association of European Transmission System Operators;

- **Market Plan** means the summary plan of electricity purchase and sale made on the basis of Contractual Schedules of producers, suppliers and traders;
- **System Operation Plan for Delivery Day** (hereinafter referred to as "System Operation Plan") means the hourly plan of total production, total consumption and total cross-border exchange in the Croatian electricity system;
- **Trading Day** means the period from 00:00 to 24:00 on the working day immediately preceding the Delivery Day.

II. MARKET PARTICIPANTS

PRODUCER

Article 6

The producer shall sell the electricity produced in his own generating facilities to a trader and a supplier.

Article 7

The producer shall sell the electricity produced in his own generating facilities to the Transmission System Operator for system services, transmission network losses or system balancing.

The producer shall sell the electricity produced in his own generating facilities to the Distribution System Operator for distribution network services or distribution network losses.

Article 8

An incentivized eligible producer shall sell its electricity in accordance with the secondary legislation regulating the field of renewable energy sources and cogeneration, and on the basis of the contract for buy-back of electricity concluded with the Market Operator.

SUPPLIER

Article 9

The supplier shall purchase electricity from producer, trader or another supplier.

Article 10

The supplier shall sell electricity to the eligible customers in accordance with the eligible customer's supply contracts, or to tariff customers in the regulated manner, to a trader or another supplier.

Article 11

The supplier shall sell the electricity to the Transmission System Operator for system services, transmission network losses or system balancing.

The supplier shall sell the electricity to the Distribution System Operator for distribution network services or distribution network losses.

Article 12

The supplier shall off-take electricity produced from renewable energy sources and cogeneration in accordance with the regulation of the Government of the Republic of Croatia that specifies a minimum share of the electricity produced from renewable energy sources and cogeneration that every electricity supplier is obliged to off-take.

TRADER

Article 13

A trader shall purchase electricity from a producer, supplier or another trader.

Article 14

A trader shall sell electricity to a supplier or another trader.

Article 15

A trader shall sell electricity to the Transmission System Operator for the system services, transmission network losses or system balancing.

A trader shall sell electricity to the Distribution System Operator for the distribution network services or distribution network losses.

ELIGIBLE CUSTOMER

Article 16

Eligible customer may freely choose his supplier and contract the electricity supply in accordance with the Energy Acts and the General Conditions of Electricity Supply.

III. REGULATION OF RELATIONS BETWEEN MARKET PARTICIPANT AND MARKET OPERATOR

Article 17

Producer, supplier and trader participating in the procedures and activities on the electricity market shall sign an agreement with the Market Operator regulating rights and obligations between a Market Participant and the Market Operator.

The Market Participant shall initiate the procedure of signing the agreement from the previous paragraph of this Article by submitting a request form.

Article 18

Before submitting the request from Article 17 of these Market Rules, the Market Participant shall obtain an EIC Code and sign a balancing energy contract with the Transmission System Operator.

Article 19

The agreement from the Article 17 of these Market Rules shall contain:

- procedure for data delivery for the legally defined record keeping;
- procedure for delivery of Contractual Schedule or production plan of incentivized eligible producer;
- procedure for delivery and exchange of other data;
- procedure for mutual exchange of information and reporting;
- duration and termination of agreement;
- other relations.

Article 20

The data delivery for the legally defined record keeping, Contractual Schedule or production plan of incentivized eligible producer and exchange of any other relevant data and information shall start only after signing of the agreement from the Article 17 of these Market Rules, and as prescribed in the agreement.

Article 21

The example of the request form and the agreement from Article 17 of these Market Rules is available on the Internet pages of the Market Operator.

IV. REGULATION OF RELATIONS BETWEEN SYSTEM OPERATORS AND MARKET OPERATOR

Article 22

The Transmission System Operator as well as the Distribution System Operator shall sign an agreement with the Market Operator in which all mutual relations in direct liaison with the electricity market activities and legal obligations of the Market Operator, the Transmission System Operator and the Distribution System Operator are regulated.

Article 23

The Agreement from the Article 22 of these Market Rules shall contain:

- procedure for data delivery for the legally defined record keeping;
- procedure for confirmation of conformance between the eligible customer's supply contract and the eligible customer's use of network contract;
- procedure for delivery of accounting point data for Market Participants;
- procedure for delivery of metering and accounting point data on the electricity delivered by the eligible producers for the settlement and guarantee of origin;
- procedure for delivery of data on allocated cross-border capacities (the Transmission System Operator's obligation);
- procedure for data delivery for settlement of balancing energy;
- procedure for mutual exchange of information and reporting;
- duration and termination of agreement;
- other relations.

Article 24

The data delivery from the Article 23 of these Market Rules and exchange of any other relevant information shall start only after signing of the agreement from the Article 22 of these Market Rules, and as prescribed in the agreement.

V. REGISTRATION OF CONTRACTUAL COMMITMENTS

Article 25

Pursuant to the Electricity Market Act, the Market Operator registers the contractual commitments on the electricity market arising from the following contracts:

- (1) eligible customer's use of network contract;
- (2) eligible customer's supply contract;
- (3) bilateral electricity trade contract;

- (4) contract for buy-back of electricity from an incentivized eligible producer;
- (5) contract for sale of electricity purchased from an incentivized eligible producer;
- (6) contract for electricity procurement for coverage of transmission network losses;
- (7) contract for electricity procurement for coverage of distribution network losses;
- (8) contract for providing system services;
- (9) contract for providing balancing services;
- (10) balancing energy contract.

Article 26

The Transmission System Operator shall submit to the Market Operator the data on the contractual obligations from the contracts mentioned in the Article 25, point 1, 6, 8, 9 and 10 of these Market Rules, as prescribed in the agreement from Article 22 of these Market Rules.

Article 27

The Distribution System Operator shall submit to the Market Operator the data on the contractual obligations from the contracts mentioned in the Article 25, point 1 and 7 of these Market Rules, as prescribed in the agreement from Article 22 of these Market Rules.

Article 28

In the case of change of supplier or conclusion of new eligible customer's supply contract, the Transmission System Operator or the Distribution System Operator shall submit to the Market Operator a confirmation of the conformance between the new eligible customer's supply contract and the eligible customer's use of network contract, not later than 10 days before the beginning of the planned electricity delivery, as prescribed in the agreement from Article 22 of these Market Rules.

Article 29

The eligible customer's supplier shall submit to the Market Operator the data from the eligible customer's supply contract, not later than 3 working days before the planned electricity delivery, as prescribed in the agreement from Article 17 of these Market Rules.

VI. CONTRACTUAL SCHEDULES

Article 30

Producer, supplier or trader shall submit to the Market Operator Contractual Schedules based on the supply contracts and/or electricity trade contracts. On the basis of these Contractual Schedules the Market Operator shall prepare a Market Plan.

The obligatory elements of the Contractual Schedule and procedure for submitting the Contractual Schedule, as well as obligations and responsibilities of the Market Participants in the procedure, shall be regulated in details in the agreement from the Article 17 of these Market Rules.

Article 31

A producer's Contractual Schedule shall include:

- hourly plan of electricity production per supplier, trader and national border in case of export.

Article 32

A supplier's Contractual Schedule shall include:

- hourly plan of total electricity delivery to all customers,
- hourly plan of electricity trade per producer, supplier, trader and national border separately for import and separately for export.

Article 33

A trader's Contractual Schedule shall include:

- hourly plan for electricity trade per national border separately for import and separately for export,
- hourly plan for electricity trade per producer, supplier and trader.

Article 34

All amounts in Contractual Schedule shall be expressed in MWh/h and rounded off to one decimal point.

Article 35

For each Bilateral Schedule, which is an integral part of Contractual Schedule, must be stated which Market Participant is delivering electricity under the contract and which Market Participant is off-taking electricity under the contract.

Article 36

Each submitted Contractual Schedule must be balanced so that the hourly plan for total electricity off-taken or produced matches the hourly plan for total electricity delivered.

Article 37

Bilateral Schedule for cross-border trading must be in conformance with allocated cross-border capacity.

Article 38

Contractual Schedules submitted by producers, suppliers and traders to the Market Operator might be for a period of at least one day to a maximum of 31 days.

Article 39

Each Market Participant entering into eligible customer's supply contract and/or electricity trade contract, must be able to fulfill, after the end of trading, all contractual obligations of delivery or off-take of electricity.

VII. DAY-AHEAD MARKET OPERATION PLANNING

Article 40

By 09:00 CET on Trading Day producer shall submit to the Transmission System Operator provisional production plan for Delivery Day.

Article 41

By 12:00 CET on Trading Day the Transmission System Operator shall allocate to Market Participant cross-border capacity in accordance with the Rules on the Allocation and Use of Cross-Border Capacity.

Article 42

From 08:00 to 12:30 CET on the Trading Day:

- (1) incentivized eligible producer with installed capacity of 5 MW or more shall submit to the Market Operator hourly production plan for the Delivery Day;
- (2) producer, supplier and trader shall submit to the Market Operator their Contractual Schedules for the Delivery Day.

Article 43

By 12:30 CET on Trading Day the Transmission System Operator shall submit to the Market Operator a list of allocated cross-border capacities per market participant, national border, direction and period, as prescribed in the agreement from Article 22 of these Market Rules.

Article 44

By 12:30 CET on Trading Day producer shall submit to the Transmission System Operator production plan per generating units for Delivery Day.

Article 45

By 13:00 CET on the Trading Day, the Market Operator shall:

- (1) prepare Market Plan for the Delivery Day based on the submitted Contractual Schedules. In doing so, the Market Operator shall check the balance of each Contractual Schedule as well as the alignment of Contractual Schedules for the Delivery Day;
- (2) in case of any corrections in Contractual Schedule, require the correction from the Market Participant in question.

Article 46

By 13:30 CET on the Trading Day the Market Participant shall submit the corrected Contractual Schedule to the Market Operator.

In case of non delivery of requested corrections to the Contractual Schedule as prescribed in the previous paragraph of this Article, the Market Operator shall, for the Contractual Schedule in question, fill in the data from the Bilateral Schedule submitted by the Market Participant off-taking the electricity under the contract.

Article 47

Based on the corrected Contractual Schedules the Market Operator shall prepare a revised Market Plan.

Article 48

By 14:00 CET on the Trading Day, the Market Operator submits to the Transmission System Operator Market Plan and hourly plan for incentivized eligible producers' production from the Article 42 of these Market Rules.

Article 49

By 14:45 CET on the Trading Day, the Transmission System Operator shall prepare System Operation Plan for Delivery Day which shall include:

- Market Plan;
- hourly plan for incentivized eligible producers' production from Article 42 of these Market Rules;
- plan for electricity procurement for system services;

- plan for electricity procurement for coverage of transmission network losses;
- plan for electricity procurement for coverage of distribution network losses;
- compensation program of unintentional deviations of the Croatian electricity system.

Article 50

By 15:45 CET on the Trading Day, the Transmission System Operator shall verify the control area day-ahead exchange programs with neighbouring transmission system operators in accordance with the UCTE Operation Handbook.

VIII. CHANGES IN CONTRACTUAL SCHEDULE DURING THE DELIVERY DAY

Article 51

A Market Participant may submit to the Transmission System Operator a request for change in Contractual Schedule at most three times during the Delivery Day for the predetermined periods, not later than two hours before the beginning of the period in question.

The predetermined periods for the change of the Contractual Schedule are:

1. 00:00 – 08:00 CET
2. 08:00 – 16:00 CET
3. 16:00 – 24:00 CET.

Article 52

The Transmission System Operator shall approve the change in Contractual Schedule if both parties to the bilateral electricity trade contract have accepted the requested change.

If the change in Contractual Schedule is related to cross-border trade, the change is subject to approval by transmission system operators from both sides of the border.

Article 53

The Transmission System Operator may refuse the change in Contractual Schedule due to technical or operational limitations in the power system.

The Transmission System Operator has to provide to Market Participant reasons for such refusal.

Article 54

The Transmission System Operator shall inform the Market Operator of all changes in Contractual Schedule, approved during the Delivery Day, by 12:00 CET on the next working day.

Based on submitted changes, from the previous paragraph of this Article, the Market Operator shall prepare Contractual Schedule for the Market Participant, which shall be used for calculation of balancing energy.

IX. BALANCING ENERGY SETTLEMENT AND INVOICING

Article 55

Producer, supplier and trader shall enter into balancing energy contract with the Transmission System Operator in accordance with the Balancing Energy Rules.

Article 56

The Market Operator shall calculate the balancing energy based on the Contractual Schedule and metering data from accounting points provided by the Transmission System Operator and/or the Distribution System Operator, in accordance with Balancing Energy Rules.

Article 57

The Transmission System Operator shall invoice the settled balancing energy in accordance with Balancing Energy Rules.

Article 58

Calculation, settlement, invoicing, contractual relations and other details relating to balancing energy are defined in Balancing Energy Rules.

X. SUPERVISION

Article 59

The administrative control over the implementation of these Rules shall be carried out by the Ministry in charge of the energy sector.

Article 60

The Market Operator shall carry out its activities under the supervision of the Croatian Energy Regulatory Agency.

XI. TRANSITIONAL AND FINAL PROVISIONS

Article 61

The Distribution System Operator shall submit to the Market Operator, not later than March 1 every year, the list of all tariff customers becoming eligible customers in accordance with the Electricity Market Act. The list shall contain: name of the customer, tax number, address, telephone number, data on the metering points and annual consumption of electricity in the last calendar year.

Article 62

In the events of force majeure as defined in Article 35 of the Energy Act, the Market Operator may curtail or temporarily suspend the application of these Market Rules.

The Market Operator shall inform Market Participants of such events.

Article 63

For all eligible customers who have concluded the contract for supply and the use of network, the contract shall apply until it expires and the new eligible customer's supply contract and the new eligible customer's use of network contract shall be concluded in accordance with the General Conditions of Electricity Supply.

Article 64

The Transmission System Operator or the Distribution System Operator shall, within 60 days from entering into force of these Market Rules, submit to the Market Operator confirmation of conformance between existing eligible customer's supply contract and the eligible customer's use of network contract.

Article 65

In line with these Market Rules, working days shall be days from Monday to Friday, except for the official holidays and non working days in Croatia.

Article 66

Documents, letters, information or data, based on these Market Rules, shall be prepared and exchanged in electronic or in printed form.

Article 67

The Market Operator shall, in line with its legal authorities and as a body of public service, publish on its Internet pages specific information and data on the Market Participants for which the record keeping are legally required.

Article 68

These Market Rules shall be interpreted by the Market Operator.

Article 69

The energy entity not complying with provisions of these Market Rules may be penalized for misdemeanour in accordance with the Article 38, paragraph 1, subsection 20 of the Electricity Market Act.

Article 70

The Croatian Energy Regulatory Agency shall decide on resolution of any disputes that may arise from these Market Rules pertinent to organizing electricity market as a public service (e.g. non-compliance with the agreement from Article 17, paragraph 1, from Article 22 and from Article 23 of these Market Rules; submission of Contractual Schedule without obligatory elements; non-compliance with the procedure for submission of Contractual Schedules, etc.).

The decision of the Croatian Energy Regulatory Agency is final and the unsatisfied party may initiate a legal administrative procedure against it.

Article 71

As of the date of application of these Market Rules, the Electricity Market Rules (Official Gazette 193/03, 198/03) shall cease to apply.

Article 72

These Market Rules shall be published in the Official Gazette and shall come into force on 1 January 2007.

Croatian Energy Market Operator
General Manager
Leo Prelec