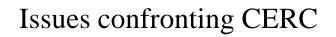
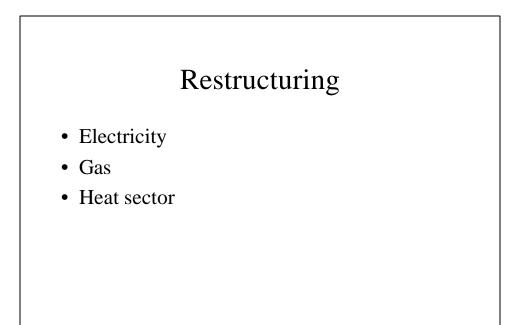
Issues Confronting CERC

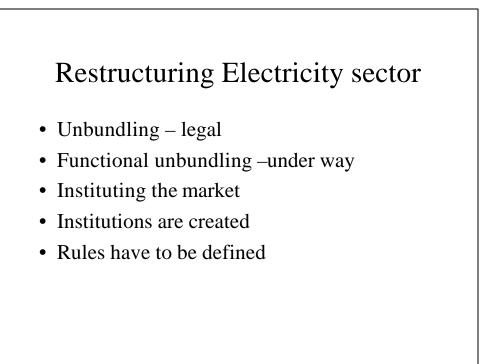
Ana-Maria Boromisa Commissioner



- Problems within the sector
- Restructuring
- Privatisation
- EU
- REM
- UCTE
- Technical standards and quality of service
- Other issues

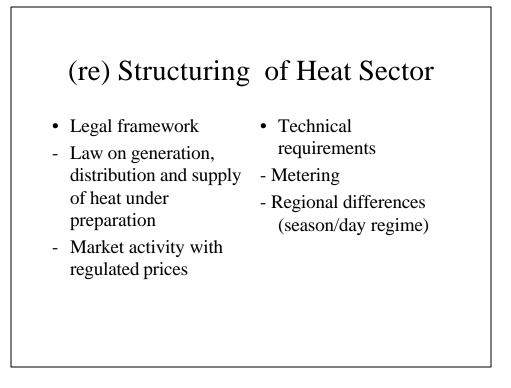
- •CERC problems
- •Organization
- •Indipendence
- •Incomplete legal framework
- •Cooperation with a nonprofit organization
- •Cooperation with Croatian Government and Parliament
- •Continuity





Restructuring Gas Sector

- Functional and legal unbundling
- Rules in the final stage of preparation (market rules, grid code)
- Supply reforms expected
- Possible developments: creation of SO
- Mergers & acquisitions probable



Privatisation

- HEP
- HEP group is privatised as a whole
- Until entry into the EU HEP shall retain exclusive ownership of its subsidiaries performing the activities of electricity transmission and distribution (i.e. Due to transmission and distribution networks)
- 51% is retained by the Republic of Croatia up to the accession

- INA Group
- Law defines INA p.l.c. as a vertically integrated company which i s to be privatised as a whole
- CERC is excluded from the procedure
- 25% +1 share are retained by the Republic of Croatia, to be privatised in accordance with a separate law upon admission to the EU

Privatisation contd.

- HEP
- Ownership according to the group, not subsidiaries
- 7% War veterans & families (Free of charge)
- Up to 7% to former and current employees, under privileged conditions (determined by the Government)
- No less than 15% initial public offering
- Residual shares: compensation for former owners, sale on capital market

- INA
- 7%War veterans & families (Free of charge)
- Up to 7% to former and current employees, under privileged conditions (determined by Government)
- No less than 15% initial public offering
- Strategic investor up to 25%
- Residual shares: compensation for former owners, sale on capital market

EU

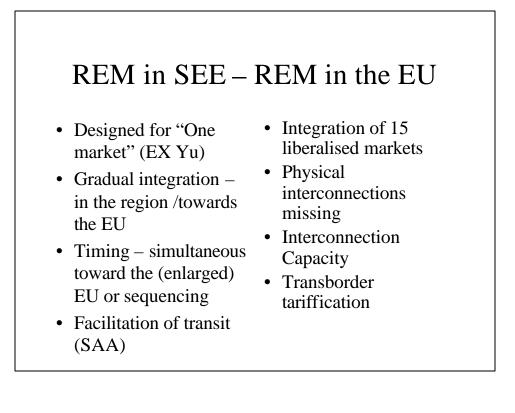
- Applicant for membership (since February 2003)
- Goal of Croatia: by 2006 fulfil membership criteria (Including new acqis)
- Associated status: 7 out of 15 member states have ratified SAA (as of January 2003)
- General obligations in SAA:
- enhanced regional co-operation
- harmonisation of legal system, notably in key areas of the domestic market (such as state aid, competition)

SAA – obligations in energy field

- ART 101 SAA
- Cooperation: reflecting principles of market economy, European Energy Charter Treaty
- Restoration of electricity interconnections of regional importance with neighbouring countries
- Cooperation in formulating and planning of energy policy
- Improvement of access to energy market
- Formulation of framework conditions for restructuring energy companies
- Development of regulatory framework in line with EU *acquis*

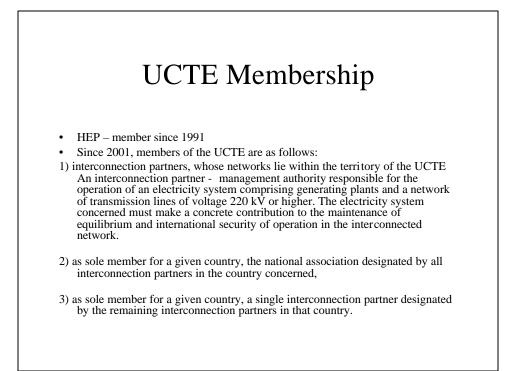
REM

- CERC's participation : Participation at all meetings (Rome, July 26 Athens, October 1st, Belgrade, November 5th, Athens January 20th)
- CARDS EUR 16 mil. 2000-2006 regional transport and energy infrastructure
- Parallel development: creation of market integration in the region and towards the EU



UCTE

- Union for the Co-ordination of Transmission of Electricity – association of transmission system operators
- Ensuring the technical condition for the reliable operation, guarantee market access
- Coordinating technical rules: basic 50HZ UCTE frequency
- Facilitating transparency of data, standardisation



UCTE/REM/EU

- Converging initiatives, specialised task
- The UCTE has no mandate to intervene in the commercial relations of its members.
- Enhanced co-operation: UCTE welcomed the new EU guidelines for energy networks in Europe
- Energy Regulatory Forum welcomed UCTE draft for operational standard (power transmission standards)

