



## **Relations with the Croatian Parliament, Government and other executive bodies**

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### **The role of subjects involved in regulation in the Republic of Croatia:**

**The Croatian Parliament:** Passes laws, approves the energy policy and development strategy, establishes legal framework of the regulation, names members of CERC.

**The Croatian Government:** Established energy policy (efficiency, environmental protection, renewable sources), proposes to the Croatian Parliament the way of financing the energy needs, makes decisions and passes regulations which CERC follows, proposes members of CERC to the Parliament, gives timely consent for the statute and annual financial plan of CERC.

**Ministry of Economy (ME) – competent ministry:** Proposes energy policy and energy needs, makes drafts for secondary legislations and acts, prepares drafts of decisions and opinions for the Croatian Government.

**Local and regional authorities:** Regulate energy service on local and regional levels, participate in making decisions about location and construction of new power plants and grids.

**Customers:** Follow the activities of CERC, participate in the process of public discussions and declarations, participate in the work of advisory bodies of CERC.

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**Activities and obligations of CERC:**

- Issues and revokes licenses for performance of energy activities.
- Controls the development and activities of energy markets (all energy products).
- Prescribes and controls requirements and way of performing public services and monopolies.
- Gives opinion and controls application of tariff systems and energy rates which are calculated by application of tariff systems passed by the Croatian Government.
- Gives consent for fees for using transmission and transport systems, passes tariffs for transport of oil and petroleum derivatives.
- Participates in making and passing of documents prescribed by the law (*development plans, Grid Code, market rules, requirements for access, connections, general conditions of supply etc.*).
- Decides about complaints by end customers in connection with the work of energy subjects, decides in disputes, and solves the complaints about transmission and distribution grid or on requirements for access.
- Gives consent to subjects under obligation of public service considering the amount of inherited expenses, which are included in the price of energy.
- Issues orders about gaining the status of privileged producer.
- Conducts public competitions for construction of objects for electricity production for tariff customers (*for privileged customers authorized subjects do the construction work*).
- Approves the construction of direct pipe line for privileged customer and purchaser.

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**Division of authority:**

Legally established division of authority among: the Croatian Government, ME and CERC, energy subjects

**Legally defined rights, authority and tasks of CERC**

Incomplete defining of the legal framework (*sub-legal acts being made*) which requires flexible organizational structure for future adjustments – gradual fulfilling of the regulatory structure and contents.

CERC participated in passing sub-legal acts and implementation acts – proposes, gives timely opinion: advisory role towards the Government, passes individual regulations

**CERC does not regulate energy supply for the Ministry of Defense, armed forces of the Republic of Croatia or the Ministry of the Interior**

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#### **Relationships defined by law:**

- CERC is an independent legal person
- CERC is made of five members, who are named by the Croatian Parliament upon Croatian Government's proposal
- The Parliament can acquit members of CERC only in cases prescribed by law
- CERC internal organization is defined by Charter approved by the Croatian Government
- The Government approves the annual financial plan of funds for work of CERC and the closing balance sheet for these funds.
- The Croatian Government designated a non-profit legal person who prepares proposals of acts and performs other expert work for CERC
- CERC gives reports to the Croatian Parliament and Croatian Government at least once a year about its work and observations which are significant for the development of the energy and public services markets

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#### **The role of CERC in passing regulations**

- CERC participates in making and passing of documents prescribed by laws (*development plans, Grid Code, market rules, access requirements, connections, general supply conditions etc.*)..
- Depending on the document: proposer, carrier, advisory body
- Depending on the type of decision: final or first instance

**Final decisions: proceedings at the Administrative Court**

**First instance decisions: complaints to the Ministry**

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#### Strategy of energy development

- Basic act which establishes energy policy and plans energy development
- Passed by the Croatian Parliament upon the proposal of the Croatian Government for period of 10 years
- Based on the Strategy the Government passes the Implementation Program
- Based on the Implementation Program local and regional self-governments pass plans of needs and ways of energy supply
- On the basis of the Program energy subjects pass programs and plans for construction, maintenance and usage of energy facilities
- Regulatory Council approves the plan for construction of distribution grid and makes sure it is in compliance with the Strategy
- Regulatory Council through control of prices supervises the implementation of these plans, and the implementation of the Strategy of energy development

#### Licenses

- The Council proposes the period for which they are issued, Ministry gives opinion, the Croatian Government prescribes the period
- Minister passes Regulations about licensing
- CERC is a first instance body for issuing licenses

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#### General conditions for energy supply

- the Government passes, upon the proposal of a Minister, after previously acquiring the opinion of the Regulatory Council

#### Tariff systems

- the Government passes, upon the proposal of the energy subject, with previously acquired opinions of the Ministry and CERC

#### Privileged customer status:

40 GWh a year (law, or Parliament), Government can prescribe lower threshold,  
100 mil m3 of gas (law, or Parliament), Government can prescribe other parameters,  
CERC passes solutions

Privileged producer status: partly law (Parliament), Minister prescribes extra requirements, CERC passes solutions

#### Grid Code

Electricity system: system operator proposes, Minister passes, after previously acquiring the opinion of CERC  
Gas system: gas transporter establishes, Minister passes after previously acquiring opinion of CERC

#### Market rules

Electricity system: market operator announces, previous consent of CERC  
Gas system: gas transporter passes, CERC can announce / or public newsletters

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## **CERC and executive bodies**

### **1 CERC first instance body; Ministry second instance**

**in issuing licenses, orders about temporary performing of activity without a license, conducting a public competition for construction of facilities for production of electricity for tariff customers**

### **2 CERC advisory body to the Government**

**Ministry proposes, CERC gives opinion about the general conditions for energy supply**

**3 Ministry advisory body to CERC, Inspectorate advisory body to CERC  
CERC allows performing of energy activities in exceptional cases to energy subjects whose license had been revoked**

### **4 CERC and Ministry advisory body to the Government**

**For passing tariff systems**

### **5 Ministry advisory body to the Government**

**CERC proposes, Ministry gives opinion, the Government prescribes the period for which licenses are issued**

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## **The role of CERC in monitoring:**

### **•Tariff systems**

Regulated rates are determined through application of tariff systems, which are passed by the Croatian Government upon proposition of energy subjects, and after acquiring Ministry's and CERC's opinions.

By tariff system application, the rates are determined for:

*Electricity production, with the exception of production for privileged customers,*

*Electricity transmission and distribution,*

*Electricity supply, with the exception of privileged customers,*

*Gas supply, with the exception of privileged customers*

*Gas transport and distribution,*

*Heat production, with the exception of privileged customers,*

*Heat distribution,*

*Heat supply, with the exception of privileged customers,*

*Electricity system management,*

*Organization of electricity market.*

### **• CERC controls the application of tariff system**

### **• work of the market operator - complaints about work of the system operator**

### **• Control of gas supply by stipulation of imported quantities**

### **• Construction of direct power line**

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### **Energy activities:**

- Energy activities are performed according to the rules which regulate market relations or as providing a public service.
- Energy activities – public services are: *production of electricity for tariff customers, transmission of electricity, distribution of electricity, organization of electricity market, electricity supply for tariff customers, electricity system management, gas transport, heat distribution.*
- Energy activities – market activities are: *production of electricity for privileged customers, electricity supply for privileged customers, gas supply, gas distribution/supply, production of heat, heat supply, production of petroleum derivatives, transport of oil through oil pipeline and other forms of transport, transport of petroleum derivatives by product pipelines and other forms of transport, wholesale trade of petroleum derivatives, retail of petroleum derivatives, oil and petroleum derivatives storage.*
- *Separate business records are kept for each energy activity and financial reports written, according to regulations about accounting for entrepreneurs.*

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### **Access to transmission and transport systems:**

#### **Gas transport:**

- for gas suppliers and/or privileged customers – the principle of negotiated third party access (NTPA),
- for legal and/or physical persons from other countries – gas transit by the principle of privileged customers and honoring the principle of mutuality,
- privileged customers and suppliers, who could not get grid access, with CERC's consent can construct their own direct gas pipeline.

#### **Electricity transmission:**

- regulated third party access (RTPA) to the grid,
- producers of electricity and customers, who could not get direct grid access, with CERC's consent can construct a direct power line.

#### **Oil and petroleum derivatives transport:**

- for legal and/or physical persons – the principle of negotiated third party access (NTPA).

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**The process of restructuring in the Republic of Croatia today:**

- i) Basic legal framework is defined, sub-legal acts being made,
- ii) An independent regulator of energy activities was introduced,
- iii) Public services introduced, tariff systems passed,
- iv) Defined privileged statuses of gas and electricity customers,
- v) Problems with technical standards, quality of services standards and quality of energy products, and customer and environmental protection,
- vi) Oil and petroleum derivatives sector in the largest part under the influence of activities and regulation of market mechanisms,
- vii) In a very short time gas sector was organizationally adapted to European organizational standards,
- viii) Basic electric power activities in the process of division, process of establishing Croatian trading company for Croatian independent system and market operators is under way.

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**Conclusion and message:**

- In the Republic of Croatia organizational forms and principles of new regulation are currently being defined and established. Therefore it is imperative that the sub-legal acts and other documents, which are being prepared at the moment and should be passed, be efficiently coordinated and congruous.
- The largest source of possible manipulation could be possibly unclear and understated regulatory rules (e.g. *problem of uncontrollable increase of energy rates in some countries in the circumstances of market manipulation*).
- It is necessary to develop and realize the co-operation between the legislator and the regulatory body within national borders.
- It is important to anticipate possible effects of certain rules and procedures, in order to protect them from possible abuse and manipulation.
- It is necessary to develop co-operation of regulatory bodies on the international level, so that the regulatory framework may be free from bad and untransparent solutions, and in order to learn from each other's mistakes and repeat them as rarely as possible.
- It is possible to manage the processes which have already begun, but it is not possible to revert back to the state from which they were started (they are not reversible)!

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***THANK YOU FOR LISTENING!***

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