

# Issues Confronting CERC

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## Issues confronting CERC

- 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 non-profit organization
- Cooperation with Croatian Government and Parliament
- Continuity

## Restructuring

- Electricity
- Gas
- Heat sector

## Restructuring Electricity sector

- Unbundling – legal
- Functional unbundling –under way
- Instituting the market
- Institutions are created
- Rules have to be defined

## 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

## (re) Structuring of Heat Sector

- Legal framework
  - Law on generation, distribution and supply of heat under preparation
  - Market activity with regulated prices
- Technical requirements
  - Metering
  - Regional differences (season/day regime)

# 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 is 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 *acquis*)
- 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

## REM in SEE – REM in the EU

- Designed for “One market” (EX Yu)
- Gradual integration – in the region /towards the EU
- Timing – simultaneous toward the (enlarged) EU or sequencing
- Facilitation of transit (SAA)
- Integration of 15 liberalised markets
- Physical interconnections missing
- Interconnection Capacity
- Transborder tariffication

# 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 Membership

- HEP – member since 1991
- Since 2001, members of the UCTE are as follows:
  - 1) interconnection partners, whose networks lie within the territory of the UCTE  
An interconnection partner - management authority responsible for the operation of an electricity system comprising generating plants and a network of transmission lines of voltage 220 kV or higher. The electricity system concerned must make a concrete contribution to the maintenance of equilibrium and international security of operation in the interconnected network.
  - 2) as sole member for a given country, the national association designated by all interconnection partners in the country concerned,
  - 3) as sole member for a given country, a single interconnection partner designated by the remaining interconnection partners in that country.

## 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)

## UCTE/EU

### Recent developments: an example

UCTE Assembly approved a resolution on the request of RAO UES Russia for interconnection with IPS/UPS.

Consequently,

- UCTE analyses the technical risks identified together with proposals for further investigations.
- Increased cooperation: Simultaneously, the UCTE members consult their own national authorities, EU bodies and other international organizations.
- UCTE completes the assessment of the currently identified risks and consequences as a basis for the final UCTE position

## Other regulatory issues

- Regulating oil and derivatives
- Market issues /public service obligations: grid code, market rules, environmental standards, consumer protection
- Definition of requirements
- Protection of environment
- Consumer protection – can international standards be adopted?
- Implementation of CERC resolutions
- Power to impose solutions? (e.g. standards for Public services, infringement procedures)
- Co-operation with other bodies (inspection bodies, competition agency)

## Other issues contd.

- Infrastructure in neighbouring countries
- e.g. Electricity sector.

Available installed capacity: 3601 MW

HPP 2076 MW TPP 1525 MW

Abroad: 982 MW

NPP Krško 332 MW, TPP 650 MW