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Energy & Natural Resources - Croatia



National electricity company calls for investors in €800 million Plomin C project

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Introduction

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Introduction

According to the Ministry of Economy, Labour and Entrepreneurship's Annual Energy Report for 2010⁽¹⁾ 18,869.9 gigawatt hours (GWh) of electricity were supplied in Croatia in 2010 (with reported transmission and distribution system losses representing 2,021.9GWh).

Croatia imports approximately 40% of its electricity (depending on the season and prevailing weather). According to the report, Hrvatska elektroprivreda dd (HEP Group), Croatia's national electricity company, generates 4,165.56 megawatts (MW) of electricity, of which 1,681MW (40.6%) is generated by thermal power plants, 2,136.56MW (51%) by hydropower plants and 348MW (8.4%) by one nuclear power plant.

The total length of the transmission network is 7,438 kilometres (km) (1,247km of which is 400 kilovolts (kV), 1,210km is 220kV and 4,789kV, while 192km is medium voltage). It is operated by HEP-Operator prijenosnog sustava doo (HEP-TSO). The distribution network is 103,401.2km in length and is operated by HEP-Operator distribucijskog sustava doo (HEP-DSO). In terms of cross-border exchange, 12,359GWh entered Croatia and 7,682GWh exited Croatia in 2010.

In April 2012 the government increased the tariff rates for all customer categories. The price of electricity thus rose by 20% for residential customers and 12% for commercial customers. The government announced that prices will continue to rise until they meet the EU average.

Energy strategy and electricity market legal framework

Croatia's national electricity strategy is set out in the Strategy of Energy Development 2009 to 2020.⁽²⁾ The key points of the strategy are:

- liberalisation of the electricity market, with balanced government intervention as necessary;
- energy efficiency;
- alternative energy sources and technologies that protect the environment;
- security of supply;
- competitiveness; and
- sustainable energy development.

The electricity legal framework is regulated by the following acts:

- the Energy Act;⁽³⁾
- the Energy Activities Regulations Act;⁽⁴⁾ and
- the Electricity Market Act.⁽⁵⁾

The framework recognises five types of electricity activity - generation, transmission, distribution, sale of power and electricity market organisation. Generation and supply (including sale) to eligible customers and trading on the electricity market are market activities in which price and quantity are freely negotiated. In contrast, generation of electricity for tariff customers, transmission and distribution of electricity, electricity market organisation and supply for tariff customers are regulated activities.

All market activities are performed by the HEP Group, which comprises:

- HEP-TSO, the national transmission system operator;
- HEP-DSO, the HEP Group's distribution system operator;

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- HEP-Proizvodnja doo, the HEP Group's electricity generation company; and
- HEP-Opkrba doo, the HEP Group's electricity supply company.

In accordance with the third EU energy package, the government is considering unbundling HEP Group. So far, only ownership unbundling appears to be excluded.

Plomin C - 500 MW coal-fired thermal plant

On July 24 2012 HEP issued [notification for a request for expressions of interest](#) for a strategic partner in the design, financing, construction and maintenance of the Plomin C coal-fired nuclear plant (500 MW capacity, with planned annual production of 3.6 TWh), and for a supplier of fuel for the plant. The deadline for submissions is September 14 2012. By September 28 2012 HEP will issue a shortlist and call the shortlisted parties to present their binding offers, after which potential partners will have access to all necessary documentation (including a data room). The bidder with the most economically advantageous offer should be picked by the end of the first quarter of 2013, while the project is expected to be finalised between 2015 and 2017. The project value is estimated at €800 million, of which half shall be financed by the strategic partners and half by HEP.

Upcoming investments

In order to achieve security of supply, the Croatian government is planning the following additional projects:

- Investments in existing facilities - the HEP Group has announced that it will invest approximately €450 million in the modernisation of existing hydropower plants (€150 million) and transmission and distribution networks (€300 million).
- Four hydropower plants on the Sava river in Zagreb - the main aim of this project is to transform Zagreb by building a dam on the west entrance of the Sava river into the capital, thus regulating its flow. The project would include four hydropower plants with a combined capacity of 610GWh and an investment value of €800 million. The project is currently in the conceptual design and environmental study phase.
- Four hydropower plants on the Lika and Gatska rivers - HEP plans to build two new hydro plants (Senj 2(6) and Kosinj(7)) and renew two more (Senj 1 and Skope). The total capacity of the project will be 679MW. The investment value is estimated at €800 million. The preparation of documentation and permits is in the final stage.
- Two hydropower plants on the Drava river - two 50MW hydropower plants are planned on the Drava river. The estimated value of the project is €800 million. An environmental study is still needed.
- Hydropower plant Ombla (for further details please see "[Ombla and Plomin 3 public tenders expected](#)" and "[Examining the renewable energy framework and market](#)") - the planned 68MW hydropower plant near Dubrovnik has recently been brought into question by new studies that have reveal possible feasibility and environmental problems. However, the government has announced that the project will move into realisation by the end of 2012 or early 2013.

For further information on this topic please contact [Miran Macešić](#) at [Mačešić & Partners](#) by telephone (+385 51 215 010), fax (+385 51 215 030) or email (mmacesic@macesic.hr).

Endnotes

- (1) See www.mingorp.hr/UserDocsImages/Energija2010_cd.pdf.
- (2) *Official Gazette* 130/09.
- (3) *Official Gazette* 68/01, 177/04, 76/07, 152/08 and 127/10.
- (4) *Official Gazette* 177/04 and 76/07.
- (5) *Official Gazette* 177/04, 76/07, 152/08, 14/11 and 59/12.
- (6) Planned capacity 360MW.
- (7) Planned capacity 52MW.

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