Republic of Croatia
Ministry of Economy, Labour and Entrepreneurship

Programme: IPA 2009
Partner country: Croatia
Area of Cooperation: Energy

IPA TWINNING PROJECT FICHE

Reinforcement and further development of internal energy market with the scope of Energy Community Treaty

Project budget: € 500 000
1. **Basic Information**

1.1 Programme: IPA 2009 Component I FPP-RAC

1.2 Twinning Number: HR/2009/IB/EY/01

1.3 Title: Reinforcement and further development of internal energy market with the scope of Energy Community Treaty

1.4 Sector: Energy

1.5 Beneficiary country: Croatia

2. **Objectives**

2.1 Overall Objective(s): To further harmonize Croatian regulations with the *acquis communautaire* and implement *acquis communautaire* in the energy sector

2.2 Project purpose: To strengthen energy market sector in accordance with EU legislation and Energy Community Treaty

2.3 Contribution to Accession Partnership/ Stabilisation and Association Agreement/ Program of the Government of the Republic of Croatia for assumption and implementation of the *acquis communautaire*

Stabilization and Association Agreement, COM (2001) - 371 final, Article 101:

“Cooperation will reflect the principles of the market economy and the European Energy Charter Treaty, and will develop with a view to the gradual integration of Europe’s energy markets.

Cooperation shall include the following in particular:

– The formulation and planning of energy policy, including modernization of infrastructure, improvement and diversification of supply and improvement of access to the energy market, including facilitation of transit, transmission and distribution and the restoration of electricity interconnections of regional importance with neighbouring countries.

– The management and training for the energy sector and transfer of technology and know-how.

– The promotion of energy saving, energy efficiency, renewable energy and studying of the environmental impact of energy production and consumption.

– The formulation of framework conditions for restructuring of energy companies and cooperation between undertakings in this sector.

– The development of regulatory framework in the field of energy in line with the Community *acquis*.”

This twinning project will contribute to the following priorities stipulated under Chapter 15: Energy:

- “Fulfill obligations arising from the Energy Community Treaty
- Strengthen administrative capacity and complete alignment with the EU acquis in the fields of security of supply, energy efficiency and renewable energy sources, the internal energy market (electricity and gas) and nuclear energy as well as ensure high level of nuclear safety and radiation protection.”

Program of the Government of the Republic of Croatia for assumption and implementation of the acquis communautaire

In January 2010 Government of the Republic of Croatia adopted new Program of the Government of the Republic of Croatia for assumption and implementation of the acquis communautaire, where it is stated that activities related to further liberalization and implementation of third energy package should be implemented. Furthermore, the National Programme for the Integration of the Republic of Croatia into the European Union 2009 under Chapter 3.15.1 pages 278 and 279: Energy market and security of supply, B) Key Priorities stipulated the following: „The process of strengthening administrative capacity in all institutions relevant to the energy sector will also continue.”

Croatia 2010 Progress Report

In accordance with Croatia 2010 Progress Report, Chapter 15 – Energy “Further progress has been achieved and, overall, the level of alignment in this chapter is high. Additional efforts are still needed to implement and enforce the acquis, in particular to open the gas and electricity markets, on capacity allocation for electricity, and to meet the EU’s targets for RES² and energy efficiency. Furthermore, the administrative procedures related to RES need to be simplified. Significant efforts are needed to secure the administrative capacity and independence of the energy sector regulatory authorities”.

This Twinning project will contribute to objectives and priorities mentioned in all above stated documents by strengthening the national and regional energy market development taking into account energy acquis communautaire and Energy Community Treaty.

3. **Description**

3.1 Background and justification:


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² RES - Renewable Energy Systems
Croatia as a candidate country transposed into national energy legislation whole set of EU Directives and Recommendations, especially those concerning internal electricity and gas market liberalization, regulatory framework, electricity and gas network legal framework including secondary legislation.


In the year 2006 electricity market was opened for consumers who use more than 9 GWh per year. In July of 2007 Croatia fully opened the electricity market to industrial users and in July of 2008 further opening of electricity market was carried out for all other users including households.

Croatia's policy objectives for the gas sector are to establish a functioning open market in line with the EU internal market. As a member of the Energy Community for southeast Europe, Croatia also intends to develop a regional role, in particular as regards its Liquefied Natural Gas (LNG) and gas storage capacities. Croatia has domestic gas production whose output is declining, and also imports gas from Russia. Liberalization of natural gas market in line with EU Directive implies the possibility of choice among natural gas suppliers and free access to gas pipeline system. Legislation concerning internal gas market liberalization is also in place by passing a law on gas market in 2007. Natural gas activities comprise of production, storage, transport and distribution of natural gas. The Natural Gas Market Law regulates energy activities in the natural gas sector. Croatian Government has adopted in 2009 natural gas market secondary legislation and general rules for natural gas distribution.

Since fully opening of the energy market, especially the electricity market, nationally, regionally and internationally, it would be of great significance for Croatia to get acquainted with the experiences and know-how of Member State countries with liberalized energy market and application of “Third Energy Package”.

According to Annual Report on the implementation of the acquis under the Treaty establishing Energy Community (September 2010, page 58), it is stated that “In spite of the relative advancement, further progress should still be considered with respect to several aspects of implementation of the Energy Community acquis into the legal and regulatory framework and/or electricity market structure in Croatia”.

In order for Croatia to be able to further strengthen implementation of energy acquis in relation to the liberalized energy market and Energy Community Treaty, requirements, especially concerning electricity and natural gas of the internal and also regional market are to be met. In order to adequately implement the abovementioned requirements, the following topics have to be addressed: quantitative and qualitative analysis of Croatian energy market (electricity and gas), regional energy market – functionality of bilateral and multilateral/regional market, the relationship between the liberalized energy market and secure and reliable supply, interaction of liberalized market with other public policies, energy market statistics, follow-up and monitoring, business operations of energy market, electricity and gas market exchange, system of public service of supply, socially vulnerable groups, energy pricing policy, further development of procedures for open energy market
and further development and strengthening of Croatian energy institutions, especially Regulatory body and Market operator.

Therefore it is envisaged for this twinning project to tackle the following issues: analyses of energy market(s) - especially electricity and gas sectors (e.g. trade volumes, imports, exports, quality of energy market, wholesale and retail prices, main drivers behind price and volumes, trends, outlooks, capacities and infrastructure, etc.), energy market indicators concerning energy mix in various sectors, pricing policy (i.e. mechanism for determining/calculating prices of energy), analysis of the existing regulatory framework including cooperation between involved institutions and capacity building, development of relevant procedures for strengthening open energy market, preparation of various materials, recommendations, instructions and suggestions for actions for strengthening, reinforcement and further development of internal energy market with the scope of Energy Community Treaty and National Energy Development Strategy.

The most important outcome of this twinning project will be two documents: Final Energy Market Analysis Report and Guidelines for Methodologies for Reinforcement and Further Development of Internal Energy Market with the Scope of Energy Community Treaty. These documents, necessary for further development of the open energy market, will be prepared for the Croatian Ministry of Economy, Labour and Entrepreneurship and other involved institutions.

Institutions involved in this project are the Ministry of Economy, Labour and Entrepreneurship (MoELE), Croatian Energy Regulatory Agency (CERA), Croatian Electricity Market Operator (HROTE), Croatian Electricity Company (HEP – OPS/ODS/SUPPLY) and Croatian gas transport Company (PLINACRO). The cooperation between institutions will be built upon the model established under the IPA 2007 project “Methodology for Energy Administrative Data Management related to EU regulations”.

In the course of this twinning project, administrative capacities of all involved institutions should be strengthened for the purpose of further development of the national and regional energy market and implementation of the ‘Third Energy Package’.

3.2 Linked activities (other international and national initiatives):

This IPA 2009 project is linked to the IPA 2007 project - HR 2007/03/15/4 ‘Methodology for Energy Administrative Data Management related to EU regulations’ that started by implementing its first component – twinning on 9th February 2010 (twinning contract no. HR/2007/IB/EY/01, MS partner: Denmark). The project beside abovementioned twinning component consists of technical assistance and supply components. This project will last altogether 18 months. By implementation of this project it is envisaged to assist in setting up of a national system of administrative registers on energy usage and developing management information system which coordinates the information with the national and international institutions.

Energy data management project IPA 2007 is a project for management of web based collection of energy and relevant administrative data which are transposed from relevant EU legislation into national legislation, for example: daily electricity production, daily supply of electricity to customers, daily gas supply and demand, prices of oil derivates every Monday on gas stations across Croatia, short and medium term planed investments in power sector, monthly import and export of oil and oil derivates by different companies, etc.

There will be no overlapping between this IPA 2009 project and IPA 2007 project. This project refers only to the energy market while the database under the IPA 2007 project refers to monitoring energy and administrative data.

3 For more information on these institutions please refer to the point 4. Institutional Framework.
This IPA 2009 project is also in relation with another project proposed under IPA 2008 – HR 2008/03/15/03 Monitoring Dependence and Vulnerability of Energy Supply system with Scope on Security of Supply, due to start in 2Q 2011. This project is technical assistance type of support and is planned to last for 21 months. In general, the IPA 2008 project is expected to provide a description of existing obstacles, define tasks, functions and prerequisites for methodology for security of supply monitoring system.

The proposed project under IPA 2008 is to develop analytical software using numerical, statistical, socio-economical, technical data (such as total primary energy demand and supply (TPES and TPED), energy usage by sectors, supply-demand index, crises capability index based on assessment of supply disruptions risks and ability to mitigate risks, final energy intensities, diversity index, energy supply security indicator, human development index as index for long term socio-economic stability, reserve and production ratios, depletion index, data for servicing a security of energy supply and early crises warning e.g. severe shortage of gas supply or very high price increases, etc.).

There will be no overlapping between this IPA 2009 and IPA 2008 project. This IPA 2009 twinning project will refer to assessment of the impact of the liberalized energy market as well as to ensuring secure and reliable energy supply on Croatian market. It will explicitly address topics covering energy market and its functionality and reinforce development of internal/regional energy market.

3.3 Results:

Result 1: Present energy market situation on a national and regional level assessed in quantitative and qualitative terms.

Indicators of achievement:
- Analysis of present national energy market situation conducted and analysis report prepared
- Analysis of regional energy markets conducted and analysis report prepared
- Analysis of the interactions, functionality and impact of open energy market on security, reliability and pricing policy of the energy conducted and analysis report produced
- Analysis of the energy market (energy supply) as a public service with the special emphasis on the socially vulnerable groups conducted and analysis report produced

Result 2: Methodology, parameters, indicators and procedures for the functioning of the open energy market developed.

Indicators of achievement:
- Energy market indicators concerning energy mix in various sectors established
- Methodology, parameters and indicators for monitoring energy market defined
- Procedures for functioning of the open energy market developed

Result 3: Relevant documents for further development of the open energy market prepared.

Indicators of achievement:
- Final Energy Market Analysis Report with detailed recommendations produced
- Guidelines for Methodologies for Reinforcement and Further Development of Internal Energy Market produced
Result 4: Capacity of the personnel of Croatian institutions composing the regulatory framework for the open energy market increased.

Indicators of achievement:
- Training needs analysis (TNA) of the relevant personnel of all institutions involved in the project (MoELE, CERA, HROTE, PLINACRO, HEP-OPS/ODS/SUPPLY) concerning open energy market conducted and TNA report produced
- Training programme developed and training materials prepared
- Trainings in the form of workshops and seminars conducted for a minimum of 10 employees from involved institutions (minimum 10 employees in total; see chart on page 12)
- One study visit in duration of 5 days for 8 employees from involved institution (see chart on page 12) conducted and report on the findings of the study visit prepared

3.4 Activities:

Activities in relation to Result 1:

Activity 1.1. Conducting quantitative and qualitative analysis of present situation in Croatian energy market (electricity and natural gas) and preparing corresponding analysis report. The analysis should inter alia show characteristics of the Liquefied petroleum gas (LPG) market, LPG availability and whether reserves are satisfactory. In addition, assessment should cover also the existing pricing policy and the existing energy regulatory framework (relationships between market institutions, especially regulatory body and market operator).

Activity 1.2. Conducting analysis of regional energy markets (functionality of bilateral / multilateral / regional markets), including assessment of the compliance level of the provisions of the Croatian regulatory framework with the requirements of the regional energy markets and preparing corresponding assessment report.

Activity 1.3. Conducting analysis of interactions, functionality and impact of liberalized energy market in relation to reliable and secure supply of energy but also in relation to the effect on the pricing policy and preparing corresponding analysis report.

Activity 1.4. Conducting analysis of the energy market (energy supply) as a public service (public interest), taking into account the existing model(s) for determination of prices with special emphasis on socially vulnerable groups and preparing corresponding analysis report.

Activities in relation to Result 2:

Activity 2.1. Establishment of energy market indicators concerning energy mix (electricity, oil, natural gas etc.) in various sectors (industry sector by main industry branches, service sector, households etc.).

Activity 2.2. Defining methodology, parameters (e.g. traded volumes, trading prices, trends etc.) and other relevant indicators for monitoring energy market including national/regional/EU energy market follow up.

Activity 2.3. In accordance with the outcome of the analysis carried out under activity 1.1. preparation of the relevant procedures necessary for the adequate functioning of the open energy market. This activity will mainly relate to the establishment of procedures for cooperation and data exchange between institutions that compose the regulatory framework for the open energy market (such as Regulatory body (CERA), Market operator (HROTE),
Suppliers, Producers), but also to data format standardization, procedure for supplier switching, etc.

Activities in relation to Result 3:

Activity 3.1. Producing Final Energy Market Analysis Report, taking into account all aspects and findings by implementation of the activities under Result 1, including detailed recommendations for improvements.

Activity 3.2. Producing Guidelines for Methodologies for Reinforcement and Further Development of Internal Energy Market in accordance with the Energy Community Treaty. The respective Guidelines will include all the relevant elements such as regulatory framework, relationships between institutions, institutional / administrative capacities, pricing policy, indicators etc.

Activities in relation to Result 4:

Activity 4.1. Conducting training needs analysis (TNA) of the relevant personnel of all institutions involved in the project (MoELE, CERA, HROTE, PLINACRO, HEP-OPS/ODS/SUPPLY) concerning open energy market and preparing TNA report.

Activity 4.2. On the basis of the TNA report, developing training programme on functioning and further development of the open energy market and preparing training materials.

Activity 4.3. Conducting trainings in the form of workshops and seminars for a minimum of 10 participants from all involved institutions (minimum 10 employees in total; see chart on page 12).

Activity 4.4. Organizing and conducting one 5-day study tour to MS for 8 employees from participating institutions (see chart on page 12) and preparing report on findings on the study tour. The study tour will consist of visiting institutions which are crucial for functioning of liberalized energy market and have operational and administrative capacity for energy market follow-up. The study tour will be conducted in order for participants to familiarize themselves with the best practices and know-how concerning the energy market and apply the obtained knowledge to further development of Croatian energy market.

Two visibility events will be organized in the course of the implementation of the project; Kick-off meeting at the start of the implementation and the Final meeting at the end of the implementation of the project activities.

3.5 Means/ Input from the MS Partner Administration:

3.5.1 Profile and tasks of the Project Leader

Profile of the Project Leader

Requirements:
- University level education or equivalent professional experience of 15 years in the energy field
- 8 years of experience in the energy field
- 5 years of experience in practical application of common rules for the functioning of the internal energy market
- High-ranking official
• Working level of English language
• Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.3.2.
• Computer literacy
• Experience in project management

Assets:
• Experience with the Energy Community Treaty
• Experience in implementing EU funded projects in the field of energy market

Tasks of the Project Leader
• Responsible for managing the staff and other resources to achieve the agreed project objectives in an efficient and effective manner
• Participation in coordination of deployment of short-term experts;
• Co-managing the implementation of the project with the Croatian PL
• Monitoring and evaluating the progress of project
• Ensuring backstopping and financial management of the project in the MS
• Organization of study visit
• Participation in Steering Committee meetings
• Project reporting

3.5.2 Profile and tasks of the RTA

Profile of the Resident Twining Adviser

Requirements:
• University level education or equivalent professional experience of 13 years in the energy field
• 6 years of experience in the energy field
• 5 years of experience in the practical application of common rules for the functioning of the internal energy market
• Experience with the Energy Community Treaty
• Experience in project management
• Computer literacy
• Working level of English language
• Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.3.2.

Assets:
• Experience in implementing EU funded projects in the field of energy market
• Experience in conducting trainings
• Experience in developing guidelines for functioning of the internal energy market
• Experience in developing methodology for monitoring energy market

Tasks of the Resident Twining Adviser
• Responsible for monitoring project implementation and proposing corrective actions if required
• Coordination and monitoring of all project activities, with the support of the short-term experts
• Co-managing the implementation of the project with the Croatian RTA counterpart
• Organization of visibility events (kick-off and final event)
- Networking with stakeholders of the project in Croatia and in MS
- Support and coordination of all activities in the BC
- Advising on related EU policies and best practices, legislation and regulations
- Responsible for coordination and assistance to the short-term experts
- Executing administrative issues (i.e. assisting in reporting)

The duration of the RTA secondment will be 12 months.

3.5.3 Profile and tasks of the short-term experts

Profile of the Short-term experts 1 – electricity market

Requirements:
- University level education or equivalent professional experience of 10 years in the energy field
- 4 years of experience in practical application of common rules for the functioning of the internal electricity market
- Experience with the Energy Community Treaty
- Computer literacy
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.3.2.

Assets:
- Experience in development of procedures for functioning of the open energy market
- Experience in internal and regional energy market assessment
- Experience in defining energy market indicators
- Experience in conducting trainings

Tasks of the Short-term expert
- Undertaking all activities related to electricity market
- Participating in the project activities and contributing to its success (preparation, implementation and follow-up of the activity)
- Conducting of relevant analyses and assessments and preparing reports
- Establishing energy market indicators
- Defining methodology, parameters and indicators for monitoring energy market including national/regional/EU energy market follow up
- Preparation of procedures for functioning of the open energy market
- Participation in producing the Final Energy Market Analysis Report and Guidelines for Methodologies for Reinforcement and Further Development of Internal Energy Market with the scope of Energy Community Treaty
- Conducting training needs analysis
- Developing training programme and preparing training materials
- Conducting trainings
Profile of the Short-term experts 2 – natural gas market

Requirements:
- University level education or equivalent professional experience of 10 years in the energy field
- 4 years of experience in practical application of common rules for the functioning of the internal natural gas market
- Experience with the Energy Community Treaty
- Computer literacy
- Working level of English language
- Proven contractual relation to public administration or mandated body, as defined under Twinning manual 5.3.2.

Assets:
- Experience in development of procedures for functioning of the open energy market
- Experience in internal and regional energy market assessment
- Experience in defining energy market indicators
- Experience in conducting trainings

Tasks of the Short-term experts
- Undertaking all activities related to gas market
- Participating in the project activities and contributing to its success (preparation, implementation and follow-up of the activity)
- Conducting of relevant analyses and assessments and preparing reports
- Establishing energy market indicators
- Defining methodology, parameters and indicators for monitoring energy market including national/regional/EU energy market follow up
- Preparation of procedures for functioning of the open energy market
- Participation in producing the Final Energy Market Analysis Report and Guidelines for Methodologies for Reinforcement and Further Development of Internal Energy Market with the scope of Energy Community Treaty
- Conducting training needs analysis
- Developing training programme and preparing training materials
- Conducting trainings

4. Institutional framework

The direct beneficiary of the project “Reinforcement and further development of internal energy market with the scope of Energy Community Treaty” is the Ministry of Economy, Labour and Entrepreneurship (MoELE).

Ministry of Economy, Labour and Entrepreneurship - MoELE (Department for energy)

The Energy Department carries out activities relating to energy balance of the Republic of Croatia. It analyses the energy flows, the situation in the world energy sources market and considers the energy source price issues. Also, it carries out activities relating to building of energy facilities, harmonizes the connection of energy systems of the Republic of Croatia with the systems of other countries and coordinates the energy system development with the development plans of the Republic of Croatia. Furthermore, it proposes measures for efficient
organization of energy activities, participates in drafting laws and regulations relating to energy sector, oversees and reviews economic measures affecting the status of legal persons in the energy sector and participates in drawing up procedure of enactment of tariff systems and general conditions for particular energy sources and customer categories. Additionally, it oversees development programmes and business operations of companies in the energy sector, carries out reviews and prepares documentation for approval of energy related investment plans within the competence of the Ministry of Economy, Labour and Entrepreneurship. It also follows up the development status of petroleum & gas management abroad, proposes activities relating to energy efficiency area and the area of renewable energy resources, participates in activities referring to bilateral and multilateral agreements of the Republic of Croatia in the energy sector, organizes promotional activities and carries out other activities within its scope.

The partner institutions involved are: Croatian Energy Regulator (CERA), Croatian Energy Market Operator (HROTE), Croatian Gas Company (PLINACRO), Croatian Electricity Company (HEP).

**Croatian Energy Regulatory Agency – CERA**

**CERA** is an autonomous, independent and non profit public institution with responsibilities of the body which carries out regulation of energy activities in the Republic of Croatia, in accordance with the Law on regulation of energy activities, Energy law and other laws which define regulation of different energy activities. It passes regulations within the energy sector under these Laws and regulations and opinions or consents regarding the rules and regulations within the energy sector. Also, it collects and processes data regarding the activities of energy undertakings, supervises the service quality provided by energy undertakings, participates in the energy policy design, and cooperates with ministries and responsible inspection boards in accordance with applicable laws.
Croatian Electricity Market Operator - HROTE

Opening of electricity market represents an irreversible process. In an increasingly complex electricity supply system HROTE implements market rules and surveys relationships among market participants. Public awareness of environmental protection and sustainable energy development favours the promotion of energy efficiency and use of renewable energy sources. HROTE has an important role in intensifying electricity production from renewable energy sources and cogeneration.

Croatian Electricity Company - HEP

In accordance with energy legislation, on 1 July 2002 HEP Plc was transformed into HEP Group - a system of related companies performing core electric activities and auxiliary activities. HEP Group is a holding consisting of a parent company or HEP Plc and its subsidiary companies. Given that a holding does not constitute a legal entity in its own right, HEP Group is not one either. Only individual companies within the holding are legal persons. In other words, HEP Group is a group of legally independent related companies which are subsidiaries of its founder (HEP Plc). HEP Plc as the parent company contractually transfers the management of resources to its subsidiaries or daughter companies and retains the final responsibility for the provision of public service and competitiveness on the market.

HEP OPS - operates the power system of the Republic of Croatia, transmits electricity and maintains and develops the transmission network. As a part of the restructuring of the Croatian electricity sector the company HEP - Transfer system operator Ltd. (HEP-OPS) was established. HEP-OPS started to operate on 4 April 2005 on the basis of the Energy Act (Official Gazette 68/2001), the Act Amending the Energy Act (Official Gazette 177/2004 and 76/2007) and the Electricity Market Act (Official Gazette 177/2004 and 76/2007). The mission of the company is to perform the business of electricity transmission in the Republic of Croatia. HEP-OPS is the sole transmission system operator in the Republic of Croatia and has the license to carry out electricity transmission as a public service. The company performs its functions transparently and independently. HEP-OPS is a member of HEP Group as a daughter company of HEP Plc.

HEP ODS - Electricity distribution is component of the system, responsible for delivery of electricity to customers. The activity is performed by HEP - Distribution system operator Ltd. (HEP ODS), a distribution system operator company. In addition to distributing electricity taken from the transmission network, ensuring reliable customer supply, managing sales, metering, billing and payment collection for electricity supplied, HEP ODS is responsible for maintenance, replacement, reconstruction and development of distribution network and plant. HEP ODS submits annual report to the Croatian Energy Regulatory Agency, which, if necessary, can demand implementation of certain measures in order to ensure the principles of transparency and non-discrimination.

HEP SUPPLY - As required by law, the electricity market in Croatia fully opened on July 1, 2008. The opening of the market began in 2006 and continued to gradually open until July 1, 2008, which means that as from that date all customers have the legal right to choose their electricity supplier. Electricity trade in the Croatian electricity market is carried out on the basis of bilateral contracts between electricity customers and supplier. HEP Supply Ltd. is a company within HEP Group, registered for supply business.

Croatian Gas Transport Company – PLINACRO

As an independent legal subject, PLINACRO was established in 2001, in order to perform natural gas transmission by high pressure pipelines to distributors and industrial consumers in north and east Croatia. On January 19 2001, a company PLINACRO Ltd. was established and registered as a member of INA Group, 100% owned by INA Plc, while from March 11, 2002 the company became a state-owned company.
The beneficiary institution will dedicate all necessary human and financial resources in order to guarantee an effective implementation of the respective project. In particular, the beneficiary institution will insure the availability of the following provisions:

Adequately equipped office space for the RTA and the RTA assistant for the entire duration of their secondment (in particular a desk, a telephone line, PC with e-mail account and internet access, possibility to use fax & copy services).

Adequate conditions for the STEs to perform their work while on mission to the BC.

Training and conference venues as well as presentation and interpretation equipment.

Costs for travel by BC participants from their capitals to a MS or between MS (study visits).

Its active involvement in preparation of the PIU and Steering Committee meetings and participation of its members on the same.

The availability of the BC human resources (BC experts) during the implementation of the activities.

5. Budget

<table>
<thead>
<tr>
<th>Reinforcement and further development of internal energy market with the scope of Energy Community Treaty</th>
<th>IPA Community Contribution</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning Contract</td>
<td>90%</td>
<td>10%</td>
<td>500.000 €</td>
</tr>
</tbody>
</table>

Interpretation costs will be reimbursed from the budget only for the purpose of workshops and seminars, up to 7% of the Contract amount can be used for translation and interpretation purposes.

6. Implementation Arrangements

6.1 Implementing Agency responsible for tendering, contracting and accounting

Central Finance and Contracting Agency (CFCA)
Ulica grada Vukovara 284, objekt C
10000 Zagreb, Croatia
Mrs. Marija Tučekčić, Director of the CFCA
Phone: + 385 1 4591 245
Fax: +385 1 4591 075
E-mail: procurement@safu.hr

Twinning Administrative Office
Central Finance and Contracting Agency
Ulica grada Vukovara 284, objekt C
10000 Zagreb, Croatia
Contact: Mr. Domagoj Šimunović, Twinning NCP
Phone: +385 1 4591 245
Fax: + 385 1 4591 075
E-mail: twinning@safu.hr
6.2 Main counterpart in the BC

BC Senior Programming Officer (SPO):
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Fax: + 385 1 6109 822
E-mail: robert.markt@mingorp.hr

BC Project leader (PL):
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Ministry of Economy, Labour and Entrepreneurship
Directorate for Energy
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Phone: + 385 1 6106 113
Fax: + 385 1 6109 113
E-mail: darko.horvat@mingorp.hr

RTA counterpart:
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Ministry of Economy, Labour and Entrepreneurship
Directorate for Energy
Ulica grada Vukovara 78
HR – 10000 Zagreb
Phone: + 385 1 6106 113
Fax: + 385 1 6109 113
E-mail: boris.martinez@mingorp.hr

6.3 Contracts

It is envisaged that the Project will be implemented through one twinning contract, with an indicative amount of 500,000 €.

7. Implementation Schedule (indicative)

7.1 Launching of the call for proposals: 1Q 2011

7.2 Start of project activities: 1Q 2012

7.3 Project completion: 1Q 2013

7.4 Duration of the execution period (number of months) - 15 months; the execution period will end 3 months after the implementation period of the Action (work plan) which will take 12 months.

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4 Member States submitting proposals for Twinning projects implemented in Croatia, as well as the beneficiary institutions, will be requested to finalise drafting of the contracts in maximum six months regardless of the period of the year during which the drafting will take place.
8. **Sustainability**

Project sustainability and sustainability of the mandatory results is ensured through transfer of knowledge via extensive training for involved institutions. The know-how and best practices that will be transferred over to the employees of the involved institutions will provide a foundation for the further development of Croatia’s energy sector. Improved administrative and personnel capacities of the involved institutions will in future help to ensure quality implementation of EU regulations in the field of energy. The trained staff from all involved institutions through this Twinning will be able to implement their knowledge and experience in practice but also convey it to new colleagues.

In addition, the Guidelines that will be produced through this Twinning project will be used for future development of internal energy market. The data obtained in the preparation of the Guidelines will ensure that the Guidelines themselves are based on a realistic assessment of the situation. Such Guidelines will ensure that further actions based on them will be feasible, sustainable and relevant.

9. **Crosscutting issues**

Equal access regardless of sex, nationality, racial or ethnic origin, religion or belief, disability, age or sexual orientation will be guaranteed for participation in the project. Equal opportunities will be ensured by the Steering Committee during the project implementation. The proposed project will not have any negative effects on the environment.

10. **Conditionality and sequencing**

N/A

**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. Reference to laws, regulations and strategic documents
Annex 1. Logical framework matrix in standard format

<table>
<thead>
<tr>
<th>Reinforcement and further development of internal energy market with the scope of Energy Community treaty</th>
<th>Programme name and number</th>
<th>IPA 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of the Economy, Labour and Entrepreneurship, Directorate for Energy</td>
<td>Contracting period expires: two years following the date of conclusion of the Financing Agreement</td>
<td>Disbursement period expires: three years following the end date for contracting</td>
</tr>
<tr>
<td><strong>Overall objective</strong></td>
<td><strong>Objectively Verifiable Indicators</strong></td>
<td><strong>Sources of Verification</strong></td>
</tr>
</tbody>
</table>
| To further harmonize Croatian regulations with the acquis communautaire and implement acquis communautaire in the energy sector | • Improved functioning of liberalized energy market  
• Regional energy market strengthened  
• Compliance of rules and regulations of EU and Croatian energy market regulations, further compliance with Energy Community Treaty | • Relevant energy market data  
• EU Progress Report  
• Reports of Directorate for Energy  
• Energy security of supply reports to EC/Energy Community  
• Croatian Official Gazette |
| **Project purpose** | **Objectively Verifiable Indicators** | **Sources of Verification** | **Assumptions** |
| To strengthen energy market sector in accordance with EU legislation and Energy Community Treaty | Final Energy Market Analysis Report produced  
Guidelines for Methodologies produced  
Procedures and indicators developed  
Employees trained on relevant topics | • Twinning Project Reports  
• Twinning Project documentation  
• MoELE internal reports | • Allocated budgetary resources are sufficient for the successful project outcome  
• Enough human resources are provided from relevant institutions  
• Support and cooperation between relevant institutions  
• Further alignment with the relevant EU energy acquis |
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| 1. Present energy market situation on a national and regional level assessed in quantitative and qualitative terms. | - Analysis of present national energy market situation conducted and analysis report prepared  
- Analysis of regional energy markets conducted and analysis report prepared  
- Analysis of the interactions, functionality and impact of open energy market on security, reliability and pricing policy of the energy conducted and analysis report produced  
- Analysis of the energy market (energy supply) as a public service with the special emphasis on the socially vulnerable groups conducted and analysis report produced  
- Energy market indicators concerning energy mix in various sectors established  
- Methodology, parameters and indicators for monitoring energy market defined  
- Procedures for functioning of the open energy market developed  
- Final Energy Market Analysis Report with detailed recommendations produced  
- Guidelines for Methodologies for Reinforcement and Further Development of Internal Energy Market produced  
- Training needs analysis (TNA) of the relevant personnel of all institutions involved in the project (MoELE, CERA, | - Twinning project reports  
- Documentation produced under the project  
- Twinning project reports  
- Documentation produced under the project  
- Reports produced and provided to EC and national users | - Contractor will provide staff with sufficient knowledge  
- Effective cooperation between involved institutions  
- Co-operation and support from relevant institutions  
- Co-financing ensured |
4. Capacity of the personnel of Croatian institutions composing the regulatory framework for the open energy market increased.

- HROTE, PLINACRO, HEP-OPS/ODS/SUPPLY) concerning open energy market conducted and TNA report produced
- Training programme developed and training materials prepared
- Trainings in the form of workshops and seminars conducted for a minimum of 10 employees from involved institutions (minimum 10 employees in total; see chart on page 12)
- One study visit in duration of 5 days for 8 employees from involved institution (see chart on page 12) conducted and report on the findings of the study visit prepared

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Specification of costs</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities in relation to Result 1:</td>
<td>Analysis, Consultations</td>
<td>Twinning: 500.000 €</td>
<td>• Technical assistance selected according to the rules</td>
</tr>
<tr>
<td>Activity 1.1. Conducting quantitative and qualitative analysis of present situation in Croatian energy market (electricity and natural gas) and preparing corresponding analysis report. The analysis should inter alia show characteristics of the Liquefied petroleum gas (LPG) market, LPG availability and whether reserves are satisfactory. In addition, assessment should cover also the existing pricing policy and the existing energy regulatory framework (relationships between market institutions, especially regulatory body and market</td>
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<td>• Personal capacities and project management in the beneficiary institutions ensured</td>
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<td>• Assurance of co-financing</td>
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<td>• Relationship with the regulatory body and market operator concerning development of the project established</td>
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<td>• Accessibility of institutions and information to the contractor secured.</td>
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</tbody>
</table>
Activity 1.2. Conducting analysis of regional energy markets (functionality of bilateral / multilateral / regional markets), including assessment of the compliance level of the provisions of the Croatian regulatory framework with the requirements of the regional energy markets and preparing corresponding assessment report.

Activity 1.3. Conducting analysis of interactions, functionality and impact of liberalized energy market in relation to reliable and secure supply of energy but also in relation to the effect on the pricing policy and preparing corresponding analysis report.

Activity 1.4. Conducting analysis of the energy market (energy supply) as a public service (public interest), taking into account the existing model(s) for determination of prices with special emphasis on socially vulnerable groups and preparing corresponding analysis report.

Activities in relation to Result 2:

Activity 2.1. Establishment of energy market indicators concerning energy mix (electricity, oil, natural gas etc.) in various sectors (industry sector by main industry branches, service sector, etc.) and preparing corresponding report.
Activity 2.2. Defining methodology, parameters (e.g. traded volumes, trading prices, trends etc.) and other relevant indicators for monitoring energy market including national/regional/EU energy market follow up.

Activity 2.3. In accordance with the outcome of the analysis carried out under activity 1.1, preparation of the relevant procedures necessary for the adequate functioning of the open energy market. This activity will mainly relate to the establishment of procedures for cooperation and data exchange between institutions that compose the regulatory framework for the open energy market (such as Regulatory body (CERA), Market operator (HROTE), Suppliers, Producers), but also to data format standardization, procedure for supplier switching, etc.

Activities in relation to Result 3:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Round table discussions</th>
<th>Preparing documentation</th>
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</thead>
<tbody>
<tr>
<td>Activity 3.1. Producing Final Energy Market Analysis Report, taking into account all aspects and findings by implementation of the activities under Result 1, including detailed recommendations for improvements.</td>
<td>Consultations</td>
<td>Round table discussions</td>
</tr>
<tr>
<td>Activity 3.2. Producing Guidelines</td>
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</table>
for Methodologies for Reinforcement and Further Development of Internal Energy Market in accordance with the Energy Community Treaty. The respective Guidelines will include all the relevant elements such as regulatory framework, relationships between institutions, institutional/administrative capacities, pricing policy, indicators etc.

Activities in relation to Result 4:

Activity 4.1. Conducting training needs analysis (TNA) of the relevant personnel of all institutions involved in the project (MoELE, CERA, HROTE, PLINACRO, HEP-OPS/ODS/SUPPLY) concerning open energy market and preparing TNA report.

Activity 4.2. On the basis of the TNA report, developing training programme on functioning and further development of the open energy market and preparing training materials.

Activity 4.3. Conducting trainings in the form of workshops and seminars for a minimum of 10 participants from all involved institutions (minimum 10 employees in total; see chart on page 12).

Activity 4.4. Organizing and conducting one 5-day study tour.

<table>
<thead>
<tr>
<th>Preparation of documentation</th>
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<tr>
<td>Trainings</td>
<td>Workshops and seminars</td>
<td>Study tour</td>
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</table>

MS for 8 employees from participating institutions (see chart on page 12) and preparing report on findings on the study tour. The study tour will consist of visiting institutions which are crucial for functioning of liberalized energy market and have operational and administrative capacity for energy market follow-up. The study tour will be conducted in order for participants to familiarize themselves with the best practices and know-how concerning the energy market and apply the obtained knowledge to further development of Croatian energy market.

<table>
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Annex 2. Detailed implementation chart

Project title: Reinforcement and further development of internal energy market with the scope of Energy Community Treaty

<table>
<thead>
<tr>
<th>Project title</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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</table>

T – Call for proposals and evaluation
C – Contracting
A/I – Arrival of the RTA/ Start of the implementation of activities
I – Implementation of activities
R – Report
### ANNEX 3.

**Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)**

<table>
<thead>
<tr>
<th>Reinforcement and further development of internal energy market with the scope of Energy Community Treaty</th>
<th>Cumulative contracting schedule by quarters in EUR (provisional)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
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<tr>
<td></td>
<td>I</td>
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<tr>
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<tr>
<td>TOTAL (EUR):</td>
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<th>2011</th>
<th>2012</th>
<th>2013</th>
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<td>II</td>
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<tr>
<td>Twinning</td>
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<tr>
<td>TOTAL (EUR):</td>
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</tbody>
</table>
ANNEX 4 - Reference to laws, regulations and strategic documents:

**Croatian legislation:**
- Ordinance on energy balances *Official Journal (Narodne Novine) 33/2003*
- Law on oil and petroleum product market *Official Journal (Narodne Novine) 57/2006*
- Law on Gas Market *Official Journal (Narodne Novine) 40/2007*

**EU Legislation:**
- Energy Community Treaty
  - Reference to AP /NPAA / EP / SAA (Please see Section 2.3)
  - Reference to MIPD (Please see Section 2.4)
  - Reference to National Development Plan (Please see Section 2.5)
  - Reference to national / sector investment plans (Please see Section 2.6)