

THE CROATIAN PARLIAMENT

1655

Pursuant to Article 89 of the Constitution of the Republic of Croatia, I hereby issue the

DECISION

PROMULGATING THE ACT ON THE THERMAL ENERGY MARKET

I hereby promulgate the Act on the Thermal Energy Market passed by the Croatian Parliament at its session on 21 June 2013.

Class: 011-01/13-01/146

No.: 71-05-03/1-13-2

Zagreb, 24 June 2013

The President of
the Republic of Croatia
Ivo Josipović, m.p.

ACT

ON THE THERMAL ENERGY MARKET

I GENERAL PROVISIONS

Subject matter and scope

Article 1

(1) This Act regulates measures for the safe and reliable supply of thermal energy, heating systems for the use of thermal energy for heating and cooling purposes, criteria for the award of thermal energy distribution concessions or concessions for the construction of distribution network, rules and measures for a safe and reliable production, distribution and supply of thermal energy in heating systems and measures to attain energy efficiency in heating systems.

(2) Relations in the heating sector which are not regulated by the provisions of this Act shall be subject to the provisions of the acts regulating the energy sector and the regulation of energy industry activities, the provisions of the act regulating energy efficiency, and the provisions of the act regulating concessions.

(3) The provisions of the General Administrative Procedure Act shall apply accordingly to the procedures prescribed by this Act.

Implementation of the EU *acquis communautaire*

Article 2

This Act transposes the following Directives into the legal system of the Republic of Croatia:

- Directive 2009/28/EC of the European Parliament and the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (OJ L 140, 5.6.2009),
- Directive 2010/31/EU of the European Parliament and the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010), and
- Directive 2012/27/EU of the European Parliament and the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012),

Definitions

Article 3

(1) The terms used in this Act have the meanings established by the act regulating the energy sector.

(2) Other terms used in this Act have the following meaning:

1. *district heating system* means a heating system consisting of a thermal energy generation plant and a distribution network,
2. *distribution network* means a hot water, warm water and/or the steam pipe network from the billing metering point of the thermal energy producer to the billing metering point with the buyer of a length greater than 2000 m and with connections to more than 500 independent consumer units,
3. *distribution area* means the area or part of the area of a local self-government unit for which a concession for the distribution of thermal energy or a concession for the construction of a distribution network is granted,
4. *distribution of thermal energy* means the distribution of thermal energy through a distribution network for the purpose of delivering thermal energy to the buyer, excluding the supply of thermal energy,
5. *distributor of thermal energy* means an energy undertaking performing the energy industry activity of thermal energy distribution in a district heating system,

6. *the activity of the buyer of thermal energy* means an activity different from an energy industry activity, which includes the technical management, the operation and the maintenance of internal installations, the delivery of thermal energy with a view to calculating the thermal energy consumed and billing the final customer in a building with an independent, closed or district heating system, pursued on the basis of a contract on thermal energy consumption concluded with the authorised representative of co-owners,
7. *energy sources* means the input quantities of gas, petroleum products, coal, renewable energy sources etc. to be transformed into thermal energy,
8. *energy undertaking* means a legal or a natural person who performs and has a licence to perform one or more energy industry activities,
9. *The Croatian Energy Regulatory Agency (Hrvatska energetska regulatorna agencija)* (hereinafter: the Agency) means an independent regulator of the energy industry established pursuant to *lex specialis*, which has the powers prescribed by the provisions of this Act, the act regulating the energy sector and the act governing the regulation of the energy industry,
10. *cogeneration* means a production plant for the transformation of input sources of energy, where thermal and electrical or mechanical energy are simultaneously generated in one process,
11. *distribution network user* means any natural or legal person who delivers thermal energy into, or receives thermal energy from, a distribution network,
12. *use for mainly commercial purposes* means uses where the quantity of thermal energy used by final customers other than households for heating a space for their own uses amounts to less than fifty percent of the total thermal energy consumed,
13. *boiler* means a generation plant, including cogeneration, for the transformation of input energy sources into thermal energy, which is part of an independent, closed or district heating system,
14. *final customer* means a legal or natural person who purchases thermal energy for own use from the buyer on the basis of the calculation of thermal energy consumed,
15. *household* means a final customer who purchases thermal energy for consumption in an independent consumer unit, providing that registered economic activities or other activities are not performed in that independent consumer unit,
16. *buyer of thermal energy* means a legal or a natural person who, acting on behalf of and for the account of the owners and/or co-owners of a building, pursues the activity of the buyer in an independent, closed or district heating system,
17. *buyer of thermal energy in difficulty* means a buyer of thermal energy who has not settled, for a period of at least 50 days, his liabilities towards an energy undertaking which have become due, or has not fulfilled his obligations towards the final customer,
18. *the Minister* means the minister responsible for energy,
19. *the Ministry* means the ministry responsible for energy,
20. *thermal energy meter* means a device which registers the quantity of thermal energy delivered at a billing metering point, in accordance with the regulations from the field of metrology and the technical specifications of the distributor of thermal energy, for the purpose of calculating thermal energy consumption,
21. *demarcation point* means the place where the competence of one energy undertaking ends and the competence of another energy undertaking or a buyer begins,
22. *billing metering point* means a demarcation point where there is a thermal energy meter,

23. *heating season* means the part of the calendar year when the heating system is ready for the delivery of thermal energy for heating purposes,
24. *supply of thermal energy* means the energy industry activity that ends at the demarcation point between the supplier and the buyer, for which it is necessary to obtain a licence from the Agency, unless otherwise provided by this Act,
25. *thermal energy supplier* means an energy undertaking registered to pursue the energy industry activity of thermal energy supply, which purchases thermal energy in the district heating system from the producer of thermal energy, concludes a distribution contract with a distributor of thermal energy and sells the thermal energy to buyers, or, in the case of a closed heating system, purchases input energy sources for transformation into thermal energy and delivers the thermal energy to the buyer for the purpose of calculating thermal energy consumption,
26. *authorised representative of co-owners* means a natural or a legal person authorised by the co-owners of independent consumer units within a building to represent them in management-related procedures on the basis of a management contract or a co-ownership contract,
27. *connected power* means the highest permitted power delivered by a combined heat and power plant into external installations or into the distribution network, or the permitted power of thermal energy which a buyer of thermal energy can receive from external installations or the distribution network at the demarcation point, as prescribed by a thermal energy agreement,
28. *production of thermal energy* means a combined heat and power plant where input energy sources are transformed into thermal energy, of a total installed power exceeding 2 MW, unless provided otherwise by the provisions of this Act,
29. *producer of thermal energy* means a legal or a natural person who has a licence from the Agency to perform the energy industry activity of thermal energy production, unless provided otherwise by the provisions of this Act,
30. *distributor* means a device for the local distribution of the delivered thermal energy measured by the shared thermal energy meter at the billing metering point,
31. *independent heating system* means a heating system through which thermal energy is delivered to a single building consisting of several independent consumer units, for the purpose of calculating thermal energy consumption,
32. *thermal energy* means energy produced in a combined heat and power plant, for the purpose of heating spaces and consumer hot water, or energy used for technological purposes (hot water, warm water or steam) or for cooling spaces,
33. *thermal substation* means a group of devices for the circulation of heat and for the regulation of heat emission, which is an integral part of final customers' internal installations and is located inside a building,
34. *thermal station* means the part of the distribution network which is used for the transformation, regulation and/or circulation of thermal energy transmission media,
35. *heating system* means a technical system, which may be an independent, closed or a district heating system, consisting of devices and equipment for the production of thermal energy, internal and external installations or a distribution network, and which enables the supply of thermal energy,
36. *internal installations* means installations from the billing metering point to the radiator valve, or to the consumer valves in an independent consumer unit, including radiators and other heating elements in the shared parts of a building,

37. *external installations* means the hot water, warm water and/or steam network distribution pipeline, linking buildings with one or more boilers in a closed heating system,
38. *shared thermal energy meter* means a device which registers the quantity of thermal energy delivered at the billing metering point at the building entrance,
39. *joint consumption* means the consumption of thermal energy measured by the customers' shared thermal energy meter, minus the total amount of the consumed thermal energy measured by the separate thermal energy meters,
40. *individual thermal energy meter* means a device which registers the quantity of thermal energy delivered to an independent consumer unit,
41. *closed heating system* means a heating system which includes several industrial and/or residential-commercial buildings, which begins at the place of receipt of input energy sources for the production of thermal energy and ends at the demarcation point with the buyer and includes thermal energy meters and external installations shorter than 2000 meters, and has less than 500 independent consumer unit connections.

II INTEREST OF THE REPUBLIC OF CROATIA

Article 4

- (1) The construction and development of district heating systems, high-efficiency production of thermal energy in cogeneration plants and their maintenance and use are of interest to the Republic of Croatia.
- (2) Heating systems are deemed to be important elements of energy efficiency and are an important factor in the pursuit of energy efficiency targets in the Republic of Croatia.
- (3) The use of renewable energy sources as sources of thermal energy is of interest to the Republic of Croatia.
- (4) It is in the best interest of the Republic of Croatia to promote the development and use of new, innovative and sustainable technologies in the energy sector. Public procurement procedures for goods, services and works shall encourage the opening of the market to innovative solutions.

Article 5

- (1) Participants in the thermal energy market shall plan and undertake measures to ensure a safe supply of thermal energy, in accordance with the acts referred to in Article 32 of this Act and the prescribed standards of thermal energy supply and shall be responsible, within the scope of their business activity, for the security of supply.
- (2) Distributors of thermal energy shall submit the following information following the request of local self-government units: data on the supply and demand of thermal energy in their respective areas, estimates of future demand and available supplies, plans for the construction of new capacities and for the development of the distribution systems in the areas for which they were awarded concessions for the distribution of thermal energy.

(3) On the basis of the information referred to in paragraph 2 of this Act, supplied by all the distributors in its area, a local self-government unit shall analyse and propose measures within its powers established pursuant to the provisions of this Act.

(4) Local self-government units shall promote, plan and approve the construction of heating systems and shall give priority to the construction of district heating systems, in line with the energy efficiency measures, and, if reasonable, they shall provide for the connection of closed heating systems to district heating systems.

(5) Local self-government units shall plan and approve the construction of closed or independent heating systems in those areas and facilities where the construction of district heating systems is not economically viable.

(6) Local self-government units shall plan the development of heating systems if cogeneration using renewable energy sources exists, or is being developed in their area.

(7) When drawing up spatial planning documents, local self-government units shall give priority to the construction and development of distribution networks which would be used to meet the thermal energy demands of households, commercial consumers and the industry, and shall obtain consent thereof from the Ministry, or from the state administrative office at the county, or from the administrative body of the City of Zagreb responsible for energy affairs.

(8) In case a buyer of thermal energy is in difficulty, a local self-government unit shall designate another buyer of thermal energy in its area, until a new buyer is chosen by the authorised representative of co-owners in accordance with Article 11 paragraph 5 of this Act.

(9) The Ministry shall be responsible for monitoring the supply and demand ratio on the thermal energy market, drawing up estimates of future consumption and available thermal energy supplies, planning the construction and development of new capacities of district heating systems and proposing and taking measures in case of the declaration of an emergency situation.

(10) The Ministry shall submit to the Government of the Republic of Croatia a report on the status of, and measures to be taken towards, the development of district heating systems on the basis of annual reports prepared by local self-government units,.

III PERFORMING ENERGY INDUSTRY ACTIVITIES

Article 6

- (1) Energy industry activities within the meaning of this Act shall include:
1. production of thermal energy
 2. supply of thermal energy, and
 3. distribution of thermal energy.

(2) The energy industry activities set out in paragraph 1, items 1 and 2 of this Article shall be performed as market activities, and the energy industry activity set out in paragraph 1, item 3 of this Article shall be performed as a public service.

(3) Legal and natural persons may perform the energy industry activities set out in paragraph 1 of this Article only on the basis of a decision granting them permission to perform those activities (hereinafter: a licence) as foreseen under the act regulating the energy sector, unless otherwise provided by this Act.

Article 7

(1) Energy undertakings which pursue the energy industry activity referred to in Article 6, paragraph 1, item 3 of this Act may also perform other energy industry activities.

(2) Energy undertakings which perform the energy industry activity referred to in paragraph 1 of this Article shall ensure the following when providing the public service:

1. application of the established amounts of tariff items for the distribution of thermal energy,
2. safety and reliability of distribution,
3. service quality,
4. environmental protection,
5. protection of the health, life and property of citizens, and
6. measures to protect the final customer of thermal energy.

Article 8

(1) Energy undertakings which perform on the market the energy industry activities referred to in Article 6, paragraph 1, items 1 and 2 of this Act, may also perform other energy industry activities.

(2) The pursuit of the energy industry activities referred to in paragraph 1 of this Article on the thermal energy market shall be undertaken and organised in line with the goals of energy industry development and the needs of final customers in the Republic of Croatia for a safe, reliable and quality supply of thermal energy, while respecting the principles of market competition and equal legal position of all market players with respect to:

1. exercise of the right to build energy facilities,
2. access to heating systems,
3. application of freely agreed prices,
4. the right to perform an energy industry activity,
5. access to information,
6. service quality,
7. environmental protection,
8. protection of the health, life and property of citizens,
9. measures to protect final customer of thermal energy,
10. other matters established by the provisions of this Act and acts governing the regulation of energy industry activities.

Thermal Energy Production Facilities

Article 9

(1) Facilities for the production of thermal energy shall be constructed and used in compliance with the regulations on spatial planning and construction, regulations governing the energy sector, regulations governing environmental protection and special technical and safety regulations.

(2) Producers of thermal energy may use the facilities referred to in paragraph 1 of this Article for the pursuit of that energy industry activity on the basis of proof of ownership or the right of use set out in a lease contract or other contracts concluded with the owner of the facilities and/or equipment for performing such energy industry activities.

Data Confidentiality

Article 10

Producers, distributors, suppliers and buyers of thermal energy, and the Agency, shall ensure the confidentiality of the business data received from other energy undertakings or buyers of thermal energy, unless they are authorised or obliged, pursuant to the provisions of this Act or other special regulations to publish those data or to notify about them competent state authorities.

IV ACTIVITY OF THE BUYER OF THERMAL ENERGY

Article 11

(1) The activity of the buyer of thermal energy shall be performed by legal or natural persons who purchase energy sources for the production of thermal energy in independent heating systems, or purchase thermal energy from suppliers of thermal energy in closed or district heating systems on behalf of and for the account of owners and/or co-owners of a building consisting of several independent consumer units.

(2) The pursuit of the activity referred to in paragraph 1 of this Article on the thermal energy market shall be undertaken and organised in line with the needs of final customers in the Republic of Croatia for a safe, reliable and quality delivery of thermal energy, in respect to:

1. access to heating systems,
2. application of freely agreed prices,
3. access to information,
4. service quality,
5. environmental protection,
6. protection of the health, life and property of citizens,
7. measures to protect final customers of thermal energy,
8. other matters established pursuant to the provisions of this Act.

(3) The authorised representative of co-owners shall submit to the legal or natural person referred to in paragraph 1 of this Article the decision on the conclusion of a thermal energy consumption contract with a buyer for the pursuit of the activity of the buyer exclusively on the basis of the decision taken by the majority of co-owner votes, which is calculated on the basis of co-ownership shares and not according to the number of co-owners.

(4) If the decision referred to in paragraph 3 of this Article cannot be reached, that decision shall be rendered by a court, at the request of any of the co-owners, in out-of-court proceedings, providing there is no dispute about who the co-owners are or about the size of their co-owned shares pursuant to the act governing ownership.

(5) On the basis of the decision referred to in paragraph 3 or paragraph 4 of this Article, the authorised representative of co-owners shall conclude a thermal energy consumption contract with the legal or natural person referred to in paragraph 1 of this Article, which shall be deemed to have been concluded with all the final customers in the building.

(6) The decision referred to in paragraphs 3 and 4 of this Article shall be rendered for a period of no less than one year, but may be extended.

(7) If the legal or natural person referred to in paragraph 1 of this Article performs the activity of the buyer for several independent heating systems or an energy industry activity referred to in Article 6, paragraph 1 of this Act, or some other activity pursuant to the national classification of economic activities, that legal or natural person shall be obliged, pursuant to Article 46, paragraph 3 of this Act, to keep separate analytical accounts for each building in accordance with a special regulation.

(8) Each legal or natural person referred to in paragraph 1 of this Article shall be entered into the register of thermal energy buyers kept by the Agency. The register must contain at least the following information: the name of the buyer, the PIN and address of the buyer, the city/town in which the buyer of thermal energy pursues his activity, the number of buildings where the buyer of thermal energy pursues his activity and other important information. Information on the registered buyer shall be published at the Agency's website.

(9) The legal or natural person referred to in paragraph 1 of this Article shall notify the Agency of any change in the data from the register referred to in paragraph 8 of this Article within 8 days of the change.

(10) In addition to the obligation referred to in paragraph 8 of this Article, the legal or natural person referred to in paragraph 1 of this Article shall, once a year, by 30 October, submit data on the number of buildings for which it performs the activity of the buyer, the number of independent consumer units for which it performs the activity of the buyer, the energy efficiency of the boiler or the heat substation inside the buildings for which it performs the activity of the buyer and on any other elements of importance for monitoring the consumption of thermal energy, to the Agency, which shall keep a record of thermal energy buyers.

(11) The legal or natural person referred to in paragraph 1 of this Article shall pursue its activities in compliance with the General Terms and Conditions for the Delivery of Thermal Energy referred to in Article 32, paragraph 3 of this Act.

(12) The Agency shall supervise the implementation of the general terms and conditions referred to in paragraph 11 of this Article.

V HEATING SYSTEMS

Independent Heating Systems

Article 12

(1) An independent heating system consists of a boiler, a thermal energy meter and internal installations, and shall be managed and maintained by the buyer of thermal energy referred to in Article 11 of this Act.

(2) In an independent heating system the prices of the thermal energy delivered to the final customers shall be freely established according to the market conditions.

(3) The buyer of thermal energy who uses gas in an independent heating system as fuel for the production of thermal energy, and delivers the produced thermal energy to households, shall be subject to the provisions on supply under public service obligation, pursuant to the provisions of the act governing the gas sector.

Closed Heating Systems

Article 13

(1) Closed heating systems are heating systems which may include several industrial and/or residential-commercial buildings and have a common heating system for which it is not necessary to conclude the concession agreement referred to in Article 21 of this Act.

(2) An energy undertaking which holds a licence for performing the energy industry activity of thermal energy supply shall ensure that the closed heating system is managed, operated and maintained in a professional manner.

(3) Only one supplier may supply thermal energy to buyers of thermal energy in a closed heating system.

(4) The supplier referred to in paragraph 2 of this Article of a building within a closed heating system may also perform the activity of the buyer for a building in accordance with Article 11 of this Act.

(5) In pursuing the activity of the buyer referred to in paragraph 4 of this Article, the supplier shall be obliged, pursuant to Article 46, paragraph 3 of this Act, to keep separate analytical accounts for each building, in accordance with a special regulation .

(6) In a closed heating system the prices of the thermal energy delivered to the buyers of thermal energy shall be freely established according to market conditions.

District Heating Systems

Article 14

(1) A district heating system is a heating system which includes several buildings, in which the energy industry activities of thermal energy production and supply may be performed by one or more energy undertakings, or in which the distribution of thermal energy is performed by one energy undertaking on the basis of a concession agreement for thermal energy distribution or a concession agreement for the construction of a distribution network referred to in Article 21 of this Act.

(2) The supplier referred to in paragraph 1 of this Article of buildings within the district heating system may also perform the activity of the buyer for a building in accordance with Article 11 of this Act.

(3) In pursuing the activity of the buyer referred to in paragraph 2 of this Article, the supplier shall be obliged, pursuant to Article 46, paragraph 3 of this Act, to keep separate analytical accounts for each building, in accordance with a special regulation.

(4) All producers of thermal energy shall have the right of access to the district heating system pursuant to the Network Rules for Thermal Energy Distribution referred to in Article 32 of this Act.

VI PRODUCTION OF THERMAL ENERGY

Article 15

(1) Producers of thermal energy shall be legal or natural persons who have obtained from the Agency a licence to perform the energy industry activity of thermal energy production. It shall be obligatory to obtain a licence from the Agency to perform the energy industry activity of thermal energy production where thermal energy is produced within heating systems in boilers whose installed production power exceeds 2 MW.

(2) Energy undertakings which use cogeneration plants and use waste, biodegradable components of waste or renewable energy sources to produce thermal energy in an economically adequate way in accordance with the regulations governing environmental protection and waste management, may attain the status of eligible producers of electrical and thermal energy. Legal or

natural persons who have been granted the status of eligible producers of electrical and thermal energy from cogeneration pursuant to the act governing the electricity market, shall obtain a licence for the production of thermal energy, in accordance with the provisions of this Act.

(3) To ensure efficient use of fuel in cogeneration plants while satisfying consumer demands for thermal energy, any planned production of electricity which is made conditional on the use of the thermal energy generated for heating and/or cooling purposes shall have priority of acceptance into the electrical power grid.

(4) The energy industry activity of thermal energy production in a district heating system shall be considered a public service up to the point when the proportion of thermal energy production by a certain producer is less than 60% of the thermal energy demand in the district heating system, at which point that energy industry activity will be performed as a market activity.

(5) Until the conditions referred to in paragraph 4 of this Article arise, the producer of thermal energy in a district heating system shall apply the amounts of the tariff items for thermal energy production which are established on the basis of the methodology adopted by the Agency, in accordance with the provisions of the acts governing the energy sector and the regulation of the energy industry, and shall publish them appropriately at least 15 days before the beginning of their application.

(6) A producer of thermal energy referred to in paragraph 2 of this Article, operating in a closed or district heating system, shall monitor the costs of thermal energy production separately from those of other energy industry activities which are related to the delivery of electricity or thermal energy, in accordance with the quantities planned for delivery.

(7) The producer of thermal energy in a district heating system shall at least once a month deliver to the distributor and the supplier of thermal energy the data on the quantity of the delivered thermal energy.

(8) The producer of thermal energy referred to in paragraphs 1 and 2 of this Article shall deliver to the Agency the data on the level of the costs incurred in the production of thermal energy and on the costs planned for the following annual period by no later than 30 April of the current year.

(9) Cost and benefit analysis shall be carried out pursuant to the provisions of the regulations governing energy efficiency in cases when:

1. a new thermal electricity generation plant with a total thermal input exceeding 20 MW is planned, in order to assess the costs and benefits of ensuring the operations of the plant as a high-efficiency cogeneration plant;
2. an existing thermal electricity generation plant with a total thermal input exceeding 20 MW is substantially refurbished, in order to assess the costs and benefits of converting it to a high-efficiency cogeneration;
3. an industrial plant with a total thermal input exceeding 20 MW generating waste heat at a useful temperature level is planned or substantially refurbished and where, in order to assess the costs and benefits of utilising the waste heat to satisfy economically justified

demand, including through cogeneration, and connecting that plant to closed and district heating systems;

4. a new closed or district heating system is planned or in existing closed and district heating systems a new energy production plant with a total thermal input exceeding 20 MW is planned or an existing such plant is to be substantially refurbished, in order to assess the costs and benefits of utilising the waste heat from nearby industrial plants.

(10) The fitting of equipment for capturing carbon dioxide produced in a thermal energy plant with a view to it being geologically stored as provided for in regulations governing the area of mining and hydrocarbons, shall not be considered as a significant investment or refurbishment referred to in paragraph 9, items 2, 3 and 4 of this Article.

(11) In the cases referred to in paragraph 9, items 3 and 4 of this Article, it is necessary to ensure that the cost-benefit analysis is carried out in cooperation with the distributor of thermal energy or the supplier in a closed heating system in the area of the local self-government unit concerned.

(12) The Minister shall issue an ordinance concerning the costs-benefit analyses referred to in paragraph 9 of this Article. When a cost-benefit analysis is carried out to assess the potential referred to in Article 17 of this Act, it shall be based on climate conditions, economic feasibility and technical suitability in terms of resources and costs, and the most efficient solutions to meeting heating and cooling needs.

(13) The following production plants shall be exempt from the provision of paragraph 9 of this Article:

1. peak load thermal electricity generating plants and back-up electricity generating plants which are planned to operate under 1500 operating hours per year, as a rolling average over a period of five years, based on a verification procedure established by the Agency ensuring that this exemption criterion is met;
2. nuclear power stations;
3. production plants located close to a geological storage site, approved in accordance with the regulations governing the field of mining and hydrocarbons.

(14) The Agency shall lay down by a decision thresholds, expressed in terms of the amount of available useful waste heat, the demand for heat or the distances between industrial plants and closed or district heating systems, for exempting individual plants from the provisions of paragraph 9, items 3 and 4 of this Article and the verification procedure referred to in paragraph 13, item 1 of this Article.

(15) The Ministry shall notify the European Commission of exemptions adopted on the basis of the Agency decision referred to in paragraph 14 of this Article, and any subsequent changes thereto.

Article 16

(1) Production plants may be built by legal or natural persons, providing that the planned production plants comply with the criteria defined in the energy approval procedure, pursuant to the act governing the electricity market.

(2) The criteria of the energy approval procedure for the construction of production plants shall be public and shall be based on objective, transparent and non-discriminatory principles securing the following:

1. reliability and safety of the heating system,
2. competitiveness of production plants,
3. protection of public health and safety,
4. environmental protection criteria and permanent control of environmental impacts,
5. adequate use of land and location,
6. adequate use of public land,
7. energy efficiency,
8. use of specific forms of primary energy,
9. technical, economic and financial capacities of the applicant,
10. compliance with measures taken with regard to public service obligations and protection of final customers,
11. contribution of the production capacities to the attainment of the overall target as regards the share of energy from renewable energy sources and of energy efficiency in the gross final energy consumption in 2020 in the European Union, within the framework of meeting the international obligations of the Republic of Croatia in the field of energy, and in line with the regulations comprising the *acquis communautaire* of the European Union, and
12. contribution of the production capacity to the relative reduction in emissions.

(3) In selecting energy solutions when decisions are made on the construction of production plants, the construction of production plants with cogeneration based on renewable energy sources and/or those which utilise waste as input fuel shall have priority over other production plants.

(4) Where thermal energy is produced from renewable energy sources and cogeneration in simple structures as defined by the regulations on spatial planning and construction, no energy approval shall be issued for the construction of such structures or for the execution of any works thereon.

(5) The Ordinance on technical requirements for thermal energy production plants shall be prescribed by the Minister in cooperation with the ministry responsible for construction.

Efficiency Potentials in Heating and Cooling

Article 17

(1) The Government of the Republic of Croatia shall adopt a program for utilising heating and cooling efficiency potentials with a view to making greater use of the national potentials of thermal energy in heating and cooling.

(2) The assessment of national heating and cooling potentials referred to in paragraph 1 of this Article shall include:

1. a description of the development potentials of heating and cooling systems based on an increase in energy demand and/or the refurbishment of existing infrastructure;
2. a forecast of how this demand will change in the next 10 years, taking into account, in particular, the evolution of demand in buildings and the different industrial sectors;
3. a map of the Republic of Croatia, identifying, while preserving commercially sensitive information:
 - heating and cooling demand points, including municipalities and cities with a plot ratio of at least 0.3, and industrial zones with a total annual heating and cooling consumption of more than 20 GWh;
 - existing and planned district heating and cooling infrastructure;
 - potential thermal energy supply points for heating and cooling, including electricity generation plants with a total annual electricity production of more than 20 GWh, waste incineration plants, existing and planned cogeneration plants using technologies referred to in regulations governing energy efficiency, and plants for closed and district heating systems;
4. identification of the heating and cooling demand that could be satisfied by high-efficiency cogeneration, including residential micro-cogeneration, in closed and district heating systems;
5. identification of the potential for additional high-efficiency cogeneration, including from the refurbishment of existing and the construction of new generation and industrial plants or other facilities generating waste heat;
6. identification of energy efficiency potentials of the infrastructure for closed and district heating systems;
7. strategies, policies and measures that may be adopted up to 2020 and up to 2030 to realise the potential referred to in item 5 of this paragraph in order to meet the demand referred to in item 4 of this paragraph, including, where appropriate, proposals to:
 - increase the share of cogeneration in the consumption of thermal energy for heating and cooling, and in electricity production. This could include proposals that support clustering of a number of individual plants in the same location with a view to ensure an optimal matching between supply and demand for thermal energy for heating and cooling;
 - develop infrastructure for efficient closed and district heating systems to accommodate the development of high-efficiency cogeneration and use of heating and cooling from waste heat and renewable energy sources;
 - encourage new thermal electricity generation plants and industrial plants producing waste heat to be located in sites where a maximum amount of the

available waste heat will be recovered to meet existing or forecasted heating and cooling demand;

- encourage new residential zones or new industrial plants which consume heat in their production processes to be located where available waste heat, as identified in the comprehensive assessment, can contribute to meeting their heat and cooling demands. This could include proposals that support the clustering of a number of individual plants in the same location with a view to ensure an optimal matching between supply and demand for thermal energy for heating and cooling;
 - encourage thermal electricity generation plants, industrial plants producing waste heat, waste incineration plants and other waste-to-energy plants to be connected to closed and district heating systems;
 - encourage residential zones and industrial plants which consume thermal energy in their production processes to be connected to closed and district heating systems;
8. the share of high-efficiency cogeneration and the potential established and progress achieved in accordance with the regulations governing energy efficiency;
 9. an estimate of the primary energy to be saved;
 10. an estimate of public support measures to heating and cooling, if any, with the annual budget and identification of the potential incentive elements. This does not prejudice a separate notification of the public support schemes for a state aid assessment.

(3) To the extent appropriate, the comprehensive assessment may be comprised of an assembly of regional or local plans and strategies.

(4) For the purpose of the assessment referred to in paragraph 1 of this Article, the cost-benefit analysis shall be based on climate conditions, economic feasibility and technical suitability in accordance with the analysis referred to in Article 15, paragraph 9 of this Act. The cost-benefit analysis shall facilitate the identification of the most resource- and cost-efficient solutions to meeting heating and cooling needs.

VII DISTRIBUTION OF THERMAL ENERGY

Article 18

(1) Local self-government units which have a thermal energy distribution network in their distribution area shall ensure the continuity of the energy industry activity of thermal energy distribution.

(2) Local self-government units and energy undertakings pursuing thermal energy distribution shall ensure that the energy industry activity of thermal energy distribution is performed at a high quality level and in observance of the principles of sustainable development, that the distribution network is maintained and operating at functional capacity, and that the activities of thermal energy distributors are carried out in a transparent manner.

Article 19

(1) The right to perform the energy industry activity of thermal energy distribution shall be obtained on the basis of a concession agreement for thermal energy distribution, or a concession agreement for the construction of a distribution network, and shall require a licence to perform the energy industry activity of thermal energy distribution.

(2) A concession for thermal energy distribution shall be a public service concession within the meaning of the act governing concessions, and a concession for the construction of a distribution network shall be a public works concession within the meaning of the act governing concessions.

(3) As regards the area or part of the area of a local self-government unit where a distribution network exists, the representative body of the local self-government unit shall grant a concession for thermal energy distribution on behalf of the local self-government unit if in that area the public service distribution of thermal energy prevails or if public works are incidental to the main subject matter of the agreement.

(4) As regards the area or part of the area of a local self-government unit where no distribution network exists, the representative body of the local self-government unit shall grant, on behalf of the local self-government unit, a concession for the construction of a distribution network.

Article 20

(1) In addition to the criteria prescribed pursuant to the act on concessions, the grantor of the thermal energy distribution concession shall base the selection of the economically most favourable bid on the following criteria, in particular:

1. quality of service and reliability of thermal energy delivery as prescribed by the General Terms and Conditions for the Supply of Thermal Energy,
2. amount of the annual concession fee proposed on the basis of the regulation on the amount and method of payment of fees for thermal energy distribution concessions and concessions for the construction of thermal energy distribution networks,
3. total level of investments relating to the development of the distribution network in the area or part of the area of a local self-government unit where a distribution network exists,
4. level of technical achievements as provided in the technical specifications included in the tender documents,
5. aesthetic, functional and environmental features of the distribution network to be constructed or the thermal energy distribution service to be provided,
6. proposed amount of tariff items for thermal energy distribution and proposed fees for connections to the distribution network and for connection capacity increase, for each year during the concession period, broken down according to user structure, including the calculations made in accordance with the tariff methodology,

7. cost-effectiveness, defined as the achievement of planned business goals at minimum operating costs,
8. quality and sustainability of the plan for maintenance and management of the distribution network, in accordance with the regulations governing the energy industry activity of thermal energy distribution,
9. plan and scope of distribution network development,
10. ability to achieve the objectives of the concession agreement, indicating the bidder's long-term viability extending throughout the term of the concession agreement, as confirmed by a notarised written statement by the potential concession holder that they hold sufficient financial resources, or validated by a written statement from a credit institution that the potential concession holder will be able to secure sufficient financial resources for the construction of the distribution network.

(2) The criteria on which the grantor of a concession for the construction of a thermal energy distribution network shall base his selection of the economically most favourable bid include:

1. quality of works and equipment to be used for the construction of the distribution network, which is a guarantee of the quality of service and reliability of thermal energy delivery as provided by the network regulations for the distribution of thermal energy,
2. amount of the annual concession fee proposed on the basis of the ordinance on the level and manner of payment of fees for thermal energy distribution concessions and concessions for the construction of distribution networks,
3. total level of investments relating to the construction of the distribution network,
4. level of technical achievements as provided in the technical specifications included in the tender documents,
5. aesthetic, functional and environmental features of the distribution network to be constructed or the thermal energy distribution service to be provided,
6. proposed amount of the tariff items for thermal energy distribution and proposed fees for connections to the distribution network and for connection capacity increase, for each year during the concession period, broken down according to user structure, including the calculations made in accordance with the tariff methodology,
7. cost-effectiveness, defined as the achievement of planned business goals at minimum operating costs,
8. distribution network maintenance and management plan pursuant to acts and subordinate regulations governing the performance of the energy industry activity of thermal energy distribution,
9. quality and sustainability of the plan and scope of distribution network development, which includes a time schedule for the execution of works and/or deadlines for the completion of works on the construction of the distribution network and the date of commencement of the thermal energy distribution activity, and
10. ability to achieve the objectives of the concession agreement, indicating the bidder's long-term viability extending throughout the term of the concession agreement, as confirmed by a notarised written statement by the potential concession holder that they hold

sufficient financial resources, or validated by a written statement from a credit institution that the potential concession holder will be able to secure sufficient financial resources for the construction of the distribution network.

(3) After the public opening of bids and before rendering the executive decision on the award of concession, the representative body of the local self-government unit shall deliver all concession bids to the Agency.

(4) The Agency shall, within 15 (fifteen) days of the receipt of the concession bids, deliver its opinion to the local self-government unit on bidders' compliance with the criteria set out in paragraph 1, item 6 and paragraph 2, item 6 of this Article as expressed in the concession bids.

(5) The Agency shall, within 15 (fifteen) days of the receipt of concession bids, deliver to the local self-government unit a report on the performance and compliance of the current distributor with his obligations, insofar as that distributor had performed the energy industry activity of thermal energy distribution until the public call for the concession.

Content of the Concession Agreement

Article 21

(1) Concession agreement shall lay down the rights and obligations of concession grantors and concession holders in accordance with the provisions of this Act and the act governing concessions.

(2) The concession agreement referred to in paragraph 1 of this Article shall contain:

1. subject matter of the concession,
2. location (area) where the concession activities will be performed,
3. manner and scope of executing concession activities,
4. a provision to the effect that the price of the energy industry activity of thermal energy distribution shall be established pursuant to the provisions of this Act and the act governing the energy sector,
5. capacity of the distribution network,
6. the number of thermal energy buyers connected and planned to be connected to the distribution system,
7. the concession period,
8. deadline for connecting to the distribution network,
9. amount of the concession fee or the basis for determining the amount of the concession fee to be paid by the concession holder,
10. manner in which the concession fee shall be payable,

11. necessary guarantees and/or security instruments to secure the payment of the concession fee and compensation for any damages sustained as a result of non-fulfilment of the obligations under the concession agreement,
12. provisions on the licence to pursue the energy industry activity of thermal energy distribution,
13. special rights and obligations of the concession holder and the concession grantor,
14. termination of concession, and
15. dispute resolution.

(3) The successful bidder, with whom the concession grantor intends to conclude a concession agreement for thermal energy distribution in a distribution area where there is a thermal energy distribution network shall obtain a licence to pursue the energy industry activity of thermal energy distribution referred to in Article 6, paragraph 3 of this Act before concluding the concession agreement.

(4) The concession holder shall obtain a licence to pursue the energy industry activity of thermal energy distribution referred to in paragraph 3 of this Article and a concession agreement for the construction of the distribution network for a distribution area where there is no thermal energy distribution network, before undertaking the energy industry activity of thermal energy distribution.

Unilateral Termination of the Concession Agreement

Article 22

Apart from the cases where unilateral termination of concession agreements is regulated pursuant to the act governing concessions, a concession grantor can also unilaterally terminate the concession agreement in following cases:

1. if the concession holder's licence to pursue the energy industry activity of thermal energy distribution has been permanently revoked before the expiry of its validity,
2. if the concession holder fails to renew his licence for performing the energy industry activity of thermal energy distribution after the validity of the earlier licence has expired,
3. if the concession holder transfers the licence to perform the energy industry activity of thermal energy distribution to another legal person,
4. if, following the concession holder's own request, his licence to pursue the energy industry activity of thermal energy distribution has ceased to be valid.

Concession Fee

Article 23

- (1) The concession holder shall pay a concession fee whose amount and manner of payment shall be laid down in the concession agreement.
- (2) The concession fee is defined as a variable amount out of the concession holder's revenues from performing the energy industry activity of thermal energy distribution in the previous year in the distribution area for which the concession was granted.
- (3) By way of derogation from paragraph 2 of this Article, in case when the concession holder did not perform the energy industry activity of thermal energy distribution in the previous year in the distribution area for which the concession has been granted, the concession fee shall be defined as a variable amount of the revenues planned for the year when such concession holder begins to perform energy industry activity of thermal energy distribution, in accordance with the bid which is an integral part of the concession agreement.
- (4) Following the proposal of the Ministry, which had obtained prior opinion from the Agency, the Government of the Republic of Croatia shall regulate by means of a regulation the amount and manner of payment of the concession fee for thermal energy distribution and the concession fee for the construction of energy facilities for thermal energy distribution, the minimum initial amount and the manner of payment of the concession fee.
- (5) The concession fee shall be revenue of the local self-government unit's budget.

Concession Period

Article 24

Concessions for thermal energy distribution and concessions for the construction of energy facilities for thermal energy distribution shall be granted for a minimum period of 20 years and a maximum period of 30 years.

Article 25

- (1) A distributor of thermal energy shall perform the energy industry activity referred to in Article 6, paragraph 1, item 3 of this Act using own thermal energy distribution network or a distribution network which it uses on the basis of a contract concluded with the network owner.
- (2) The content and level of the service which the energy undertaking shall provide in pursuing the energy industry activity referred to in paragraph 1 of this Article must not depend on the manner in which the thermal energy distribution network referred to in paragraph 1 of this Article is used.

Article 26

The distributor of thermal energy shall be responsible for:

1. the development, construction, management, supervision, operational management and maintenance of the distribution network,
2. drawing up plans for the construction and development of the heating system, which shall be aligned with the plans and programmes of the local self-government unit,
3. the functionality and reliability of the distribution network,
4. harmonization of the activities of various distribution network users ,
5. providing regulated third party access to the distribution network,
6. signing contracts for the utilisation of the distribution network in accordance with the plan for the current year and in line with the installed capacity,
7. providing information on future thermal energy demand and other information required by the Agency,
8. marketing of the system, customer relations and business statistics.

Article 27

The distributor of thermal energy shall:

1. operate and maintain, construct and upgrade, improve and develop, a safe, reliable and efficient distribution network
2. apply best practices learned from experience to achieve security of supply and availability of the distribution network,
3. connect to the distribution network the building of a legal and natural person which fulfils the requirements set out in this Act and the Network Rules for Thermal Energy Distribution referred to in Article 32, paragraph 5 of this Act and which has been constructed on the basis of a construction permit or another relevant official document which allows the construction of a building,
4. provide high-quality service and a reliable delivery of thermal energy to the users connected to the distribution network, as foreseen under the Network Rules for Thermal Energy Distribution referred to in Article 32, paragraph 5 of this Act,
5. provide objective, equal and transparent terms of access to the distribution system, in accordance with this Act and the Network Rules for Thermal Energy Distribution referred to in Article 32, paragraph 5 of this Act,
6. establish a committee to address complaints regarding system access and use in accordance with the provisions of the acts governing consumer protection, and set up an independent mechanism for effective resolution of complaints and out-of-court dispute resolution,
7. procure thermal energy necessary to operate the system in a transparent and non-discriminatory manner ,
8. provide for the measurement of thermal energy consumption and for the reading of thermal energy meters within the distribution network, in accordance with the Network Rules for Thermal Energy Distribution referred to in Article 32, paragraph 5 of this Act,
9. draw up a distribution network development plan, whereby proposed investments in the construction and reconstruction of the distribution network should be technically justified and cost-effective and ensure an adequate level of security of thermal energy supply,
10. by 30 April of the current year, deliver to the Agency a report on the investments made in the construction and reconstruction of the distribution network in the previous year,

11. produce and deliver to the Agency the annual distributor report by 1 March of the current year for the previous year, which shall report on the reliability, safety and efficiency of the distribution network, quality of service, reliability of thermal energy delivery, technical features of the system, utilisation of the distribution network capacity, maintenance of system equipment, compliance with other obligations and exercise of the rights set out in this Act, as well as on the safety and efficiency of the distribution network,
12. provide information to distribution network users in accordance with the Network Rules for Thermal Energy Distribution referred to in Article 32, paragraph 5 of this Act,
13. provide information to local self-government units necessary for drawing up estimates of future demand, planning the construction of additional capacities and the development of the distribution network in their areas, and proposing and taking measures within their authorities as established pursuant to the provisions of this Act,
14. provide distribution network users, whose equipment is connected to the distribution network, with the prescribed information on the scope, date and duration of interruptions in the distribution of thermal energy and expected reductions in distribution network capacity, pursuant to the Network Rules for Thermal Energy Distribution referred to in Article 32, paragraph 5 of this Article,
15. make sure that the confidentiality of data that come to his knowledge in the pursuit of his business activities is protected,
16. maintain thermal energy meters and collect and process metering data obtained from the billing metering points of distribution network users, in accordance with the provisions of this Act and special regulations,
17. apply the amounts of the tariff items for thermal energy distribution which are based on the methodology adopted by the Agency, in accordance with the provisions of the act governing the energy sector and the act governing the regulation of the energy industry, and publish them in an appropriate manner at least 15 days before the beginning of their enforcement,
18. take account of energy efficiency and nature and environment protection,
19. keep a record of all places where thermal energy is submitted into the distribution network and where thermal energy is received from the distribution network, including records to which supplier belong to individual buyers of thermal energy,
20. periodically, as frequently and in the scope and manner defined by the Agency, deliver the requested data to the Agency, in particular :
 - technical data on the distribution network
 - data on operational events in the distribution network
 - data on connections to the distribution network
 - data related to consumer protection.

Article 28

(1) Distributors of thermal energy shall draw up a distribution network development plan referred to in Article 20, paragraph 1, item 9 or paragraph 2, item 8 of this Act, in accordance with the Energy Strategy, the Energy Strategy Implementation Programme, and the plans and programmes of the local self-government units in whose area they perform the energy industry activity of thermal energy distribution.

- (2) The distribution network development plan shall contain at least the following:
- a plan of investments in the construction and reconstruction of the distribution network, including a plan of putting into service the hot water pipes, steam pipes and other facilities of the distribution network, using natural and financial indicators,
 - a feasibility study of the planned investments, including a forecast of thermal energy demand and supply, a forecast of user connection rates and sources of financing for the investments planned,
- (3) The distribution network development plan shall be drawn up for a specific regulatory period and shall include a projection of distribution network development in the following regulatory period in accordance with the methodology referred to in Article 27, item 17 of this Act, and it shall accompany the request submitted to the Agency for the establishment of the amounts of tariff items for thermal energy distribution.
- (4) The distributor of thermal energy shall deliver to the local self-government units in whose area it pursues the energy industry activity of thermal energy distribution information on the implementation of the distribution network development plan in accordance with:
- the plans and programmes adopted by the local and regional self-government units on the basis of the Energy Strategy and the Energy Strategy Implementation Programme,
 - the distribution network development plan which constitutes an integral part of the concession agreement.
- (5) A local self-government unit in whose area the distributor of thermal energy performs the energy industry activity of thermal energy distribution shall, upon the Agency's request, deliver its opinion on the state of compliance of the distribution network development plan with:
- the plans and programmes adopted by the local self-government unit on the basis of the Energy Strategy and the Energy Strategy Implementation Programme,
 - the distribution network development plan which is an integral part of the concession agreement.

Article 29

- (1) Distributors of thermal energy shall have the right:
1. to deny access to the distribution system in case of insufficient capacity, technical inaccessibility, lack of economic viability, likely risks to existing user demands, interference with the exercise of public service obligations, and in other cases, unless provision was made for such cases in the bid,
 2. to buy thermal energy under regulated terms in order to pursue their principal business activity, operate the distribution network with optimal performance, satisfy their own consumption needs, compensate for any thermal energy losses in the distribution system which occurred during the execution of works on the system, and compensate for operational losses,
 3. to set up and provide for the operation of their own electronic communications network to support the supervision, measurement and automation of the distribution network,

4. to limit or temporarily suspend contracted distribution of thermal energy:
 - in the event of immediate threat to lives and health of people or property, and to eliminate such threat,
 - in order to carry out scheduled maintenance or reconstruction work on the distribution network,
 - in order to eliminate faults in the distribution network,
 - when devices connected to the distribution network draw thermal energy in a manner which could endanger the life and health of people or property,
 - in the event of unauthorised consumption and unauthorised distribution of thermal energy,
 - in cases when the supplier or the buyer of thermal energy fails to comply with his contractual obligations as foreseen under the General Terms and Conditions for the Supply of Thermal Energy,
 - pursuant to the order of the supplier of thermal energy, if technical prerequisites have been met.

(2) Where a distributor of thermal energy decides to deny access to the system, he shall deliver the decision to the party, stating the reasons for the denial.

(3) An appeal may be lodged against the decision by the distributor of thermal energy referred to in paragraph 2 of this Article within 15 days of receipt of the decision on the denial of access to the system, or against the access conditions.

(4) The Agency shall make its decision within 60 days from the day of the appeal. The Agency's decision shall be executable, but dissatisfied party may launch an administrative proceedings against it. The proceedings before the administrative court shall be urgent.

(5) The distributor of thermal energy who denies access to the system on account of insufficient capacity or other justified reasons pursuant to this Article, must, within a reasonable period of time, make the necessary alterations and interventions in the system to enable access providing that they are economically viable or that the potential user is willing to finance them.

Article 30

Users of the distribution network shall deliver to the distributor, at his request, for the purpose of system development, and management and analysis of operational events, the data and information:

1. on the characteristics of consumption/production of thermal energy and other information essential for the distributor's operations,
2. necessary for gaining access to and using the distribution network, and for drawing up investment plans, collected from existing and potential distribution network users,
3. necessary for monitoring losses in the distribution network, including an assessment of technical losses and thermal energy drawn without authorization,
4. necessary for monitoring the quality and security of supply of thermal energy in the distribution system.

Article 31

- (1) A party dissatisfied with the work of the thermal energy distributor may lodge a complaint to the Agency while the acts or omissions of the distributor of thermal energy are ongoing.
- (2) The complaint referred to in paragraph 1 of this Article may be lodged in regards to a denial of a request for connection to the distribution network, conditions for the connection to the distribution network, the fixing of the distribution network connection fee and/or the fee for an increase in the distribution network connected power, and the methodology applied in setting the amounts of the tariff items for thermal energy distribution,
- (3) The Agency shall take measures within the framework of its powers and shall forthwith, but no later than 30 days from the day the complaint was lodged, inform the dissatisfied party in writing of the measures it has taken following the complaint. If the dissatisfied party is not satisfied with the measures taken or is not informed of the measures taken by the prescribed deadline, the dissatisfied party may launch an administrative dispute. The proceedings before the administrative court shall be urgent.

General Terms and Conditions for the Supply of Thermal Energy, General Terms and Conditions for the Delivery of Thermal Energy and Network Rules for Thermal Energy Distribution

Article 32

- (1) The Agency shall adopt the General Terms and Conditions for the Supply of Thermal Energy following a prior opinion of the distributor of thermal energy and of active suppliers of thermal energy.
- (2) The General Terms and Conditions referred to in paragraph 1 of this Article shall define:
 1. mutual contractual relationships between producers, distributors and suppliers of thermal energy,
 2. obligations and responsibilities of producers, distributors and suppliers of thermal energy,
 3. conditions for the restriction and suspension of thermal energy supply,
 4. conditions concerning calculation and payment of thermal energy,
 5. procedure for changing the supplier,
 6. measures to protect the final customer,
 7. requirements concerning quality and security of thermal energy supply,
- (3) The Agency shall adopt the General Terms and Conditions for the Delivery of Thermal Energy, which shall regulate:
 1. mutual contractual relationships between suppliers and buyers of thermal energy,
 2. obligations and responsibilities of suppliers and buyers of thermal energy,
 3. conditions for the restriction and suspension of thermal energy delivery,

4. conditions concerning the calculation and payment of thermal energy,
5. obligations and responsibilities of buyers of thermal energy and final customers,
6. contractual relations between the buyer of thermal energy and final customers,
7. investments into, refurbishment and maintenance of production plants and internal installations,
8. access to thermal energy meters and connection installations,
9. procedure to be followed in the case of unauthorised use of thermal energy,
10. procedure to be followed in the case of technical and other disturbances in the supply of thermal energy and procedure to be followed in the re-allocation of thermal energy for the final customer,
11. procedure to be followed when disconnecting an entire building from the heating system,
12. measures for the protection of final customers,
13. procedure for changing the buyer of thermal energy,
14. manner of informing final customers of the consumption and costs of thermal energy,
15. obligation of the buyer of thermal energy to notify final customers of any change in the prices/fees/tariffs set by the competent authorities and/or energy undertakings which are included in the final price of thermal energy,
16. right to use consumption data, including the right to forward, and the conditions for forwarding, such data to another buyer of thermal energy free of charge.

(4) Buyers of thermal energy shall apply the General Terms and Conditions referred to in paragraph 3 of this Article in pursuing their activities.

(5) Following prior opinion of the distributor of thermal energy and of active suppliers of thermal energy, the Agency shall adopt the Network Rules for Thermal Energy Distribution, which shall lay down, in particular:

1. the description of distribution network,
2. the development, construction and maintenance of distribution network,
3. management and supervision of distribution network,
4. rights and obligations of distributors of thermal energy and users of distribution network,
5. criteria for measuring the thermal energy delivered,
6. publication of data and exchange of information,
7. quality of service and security of thermal energy delivery ,
8. measures to protect distribution network users,
9. unauthorised use of thermal energy,
10. damage compensation.

(6) Distributors of thermal energy shall apply the Network Rules referred to in paragraph 5 of this Article when performing their activities.

Installation of Devices

Article 33

(1) Owners of independent consumer units in a building built before this Act entered into force shall install, for the sake of more rational energy consumption, heat regulation devices and

devices for the local distribution of the thermal energy delivered (a distributor) or meters for measuring thermal energy consumption.

(2) The Minister shall adopt an ordinance regulating the installation of the devices referred to in paragraph 1 of this Article, models of distribution and calculation of thermal energy, and the manner of allocating and calculating the costs of thermal energy delivered in heating systems.

(3) Installation of the devices referred to in paragraph 1 of this Article may be done only by a contractor who meets the criteria for performing such activities pursuant to a special regulation.

(4) Where the devices for measuring thermal energy consumption referred to in paragraph 1 of this Article have been installed, the difference between the thermal energy consumption readings at the shared thermal energy meter and the thermal energy consumption readings on the devices for measuring thermal energy consumption in all independent consumer units shall be divided between all independent consumer units in accordance with the decision taken by the majority of votes of the co-owners of independent consumer units, which is calculated on the basis of the share of co-ownership, and not according to the number of co-owners.

(5) The thermal energy calculation procedure referred to in paragraph 4 of this Article shall be applied in all buildings where there is a difference between the consumption measured by the shared thermal energy meter and the thermal energy consumption measured by the devices for measuring thermal energy consumption in all independent consumer units.

Article 34

(1) The Agency shall determine the amounts of tariff items for the distribution of thermal energy on the basis of the tariff methodology for performing the energy industry activity referred to in Article 6, paragraph 1, item 3 of this Act, in accordance with the provisions of the act regulating the energy sector and the act governing the regulation of the energy industry.

(2) The fee for new connections to the distribution network and for an increase in connection capacities of existing energy undertakings and buyers of thermal energy shall be determined on the basis of the methodology for establishing the distribution network connection fee and the fee for the increase in connected power adopted by the Agency, in accordance with the provisions of the act regulating the energy sector and the act governing the regulation of the energy industry.

(3) The Agency shall publish the methodology, the fees and the amounts of tariff items referred to in paragraphs 1 and 2 of this Article at its website at least 15 days before the beginning of their enforcement.

(4) The amounts of tariff items for the energy industry activity referred to in paragraph 1 of this Article shall depend on the justified costs of performing that activity in a specific distribution area.

(5) The price of the energy industry activity referred to in Article 6, paragraph 1, item 2 of this Act shall be freely agreed.

(6) The prices of services in the energy industry referred to in paragraph 5 of this Article may be uniformly set by the energy undertaking for all buyers of thermal energy at the level of the energy undertaking, or they may be set in accordance with the market conditions for each distribution area separately.

(7) By way of derogation, prices of the energy industry service of thermal energy production shall be established pursuant to the methodology for establishing the amounts of tariff items for thermal energy production adopted by the Agency in accordance with the provisions of the act regulating the energy sector and the act governing the regulation of the energy industry, until the conditions are met for opening of the thermal energy market as prescribed pursuant to the provisions of this Act.

(8) By way of derogation to the provisions of paragraphs 1 and 7 of this Article, the price of the energy industry services referred to in Article 6, paragraph 1 of this Act, provided mainly for commercial applications, shall be established freely i.e. according to an agreement.

VIII THERMAL ENERGY SUPPLY

Article 35

(1) Energy undertakings which perform the energy industry activity of supplying thermal energy may pursue that energy industry activity on the basis of a licence.

(2) Energy undertakings referred to in paragraph 1 of this Article may also perform the activity of the buyer for buildings within a closed or district heating system, if the authorised representative of co-owners submits to that energy undertaking a decision on the conclusion of a thermal energy consumption contract with a buyer, pursuant to Article 11, paragraphs 3, 4 and 5 of this Act.

Article 36

(1) The final customer shall enjoy protection in the sense of benefiting from a reliable, accessible and sufficient delivery of thermal energy.

(2) Final customers who use thermal energy mainly for commercial applications shall independently agree with the supplier on the commercial terms of the supply of thermal energy based on market principles.

(3) In the case of technical and other disturbances in the delivery of thermal energy whose cause is not found in the installations of the final customer, the final customer shall have the right to have those disturbances resolved, with the minimum of delay.

(4) The minimum of delay with which the energy undertaking or the buyer shall have to resolve a disturbance in the delivery of thermal energy to the final customer shall be the shortest possible period in which the disturbance may be resolved in accordance with the standards for performing the relevant works, but shall last no longer than 24 hours from the receipt of notification of the disturbance, except in exceptional circumstances when it is objectively impossible to do so within that time period.

(5) Interruptions resulting from measures taken to limit delivery in the case of a disturbance on the thermal energy market shall not be considered as disturbances in the delivery of thermal energy referred to in paragraph 3 of this Article.

(6) The buyer of thermal energy shall use thermal energy under the terms, in the manner and for the purpose established under the provisions of this Act and the act regulating the energy sector, in accordance with the acts referred to in Article 32 of this Act and other regulations.

(7) It shall be prohibited to use thermal energy contrary to the terms and conditions laid down in the General Terms and Conditions for the Supply of Thermal Energy referred to in Article 32, paragraph 2 of this Act as regards the reliability and accuracy of measurement of the thermal energy received.

(8) When the distributor of thermal energy finds that a buyer of thermal energy is making unauthorised use of thermal energy, the distributor shall disconnect that buyer forthwith from the distribution network and report him to the competent authority.

(9) Buyers of thermal energy and final customers shall give authorised persons of the competent energy undertaking access to the thermal energy meters, the internal installations, and the connection sites for the purpose of:

1. reading the meters, inspection, elimination of faults, replacement and maintenance of equipment and relocation of metering points outside the building or to the property boundary, or
2. suspending the delivery of thermal energy in case of its unauthorised use, or failure to pay due liabilities for the delivered thermal energy according to prescribed deadline and conditions.

(10) Suppliers who, in a closed or district heating system, use gas as the input fuel to generate thermal energy shall be subject to the provisions concerning supply as a public service obligation, as laid down by the provisions of the act governing the gas sector.

Article 37

(1) The rights and obligations of suppliers of thermal energy and buyers of thermal energy shall be regulated by buyer's supply contracts.

(2) Details concerning the conclusion and the content of the buyer's supply contracts shall be laid down by the General Terms and Conditions for the Delivery of Thermal Energy, pursuant to the provisions of this Act and the act regulating the field of energy.

(3) Every supplier shall ensure compliance between the proposed terms and conditions of the buyer's supply contract and the General Terms and Conditions for the Delivery of Thermal Energy. The terms of the contract shall be written in a clear and comprehensible language. Every supplier must ensure that buyers are protected from dishonest and deceptive sales methods.

(4) Every supplier shall draw up and publish in an appropriate manner the standard terms for conclusion of buyer's supply contracts, with the terms defined in advance. Every supplier shall publish the fees and prices of services in an appropriate manner.

(5) Every supplier shall conclude buyer's supply contracts in writing. The buyer's supply contract shall include at least:

1. identity and address of the supplier,
2. services provided by the supplier, including the commencement and the quality of the supply,
3. types of maintenance services offered,
4. access to information on applicable prices and fees, including maintenance fees,
5. term of the buyer's supply contract, conditions for its renewal and termination or for discontinuing the provision of services,
6. existence of any right to terminate the contract,
7. manner in which compensation shall be determined in case of non-compliance with the agreed level of service quality.

(6) The provisions of the buyer's supply contract shall be fair and shall state in a clear, simple and unambiguous manner the rights and obligations of the supplier and the buyer, and every supplier shall ensure that buyers are acquainted with the terms and conditions in advance. The supplier shall notify the buyers about the terms of the contract before the contract is concluded. If the contract is concluded through an agent, the notification must also be given before the conclusion of the contract.

(7) The buyer's supply contract may not withhold or obstruct the buyer's right to terminate or cancel the buyer's supply contract on grounds of exercising his right to change suppliers, nor may any additional financial obligations be imposed on that basis.

(8) The supplier may conclude buyer's supply contracts which may regulate the supply under special terms of sale, but in that case he shall proceed in such a manner that the proposed terms of sale or prices do not distort market competition or undermine equal position of thermal energy buyers on the thermal energy market.

(9) The supplier shall perform his energy industry activity in compliance with the general acts referred to in Article 32 of this Act.

Article 38

- (1) Pursuant to the buyer's supply contract, every supplier may request the distributor of thermal energy to suspend delivery to a buyer who has failed to meet his obligations under the buyer's supply contract. During the period of suspension, the buyer of thermal energy shall have obligations relating to access to the distribution network
- (2) If a buyer of thermal energy fails to meet his obligations established under the buyer's supply contract or those relating to the payment of due liabilities for delivered thermal energy, every supplier shall notify the buyer in advance, in writing and free of charge, that he must settle the outstanding liability, or reach an agreement on the settlement of the liability within a period of at least 15 days from the delivery of the notification.
- (3) If a buyer of thermal energy fails to settle his liabilities by the deadline referred to in paragraph 2 of this Article, the supplier may request in writing that the delivery of thermal energy be suspended.
- (4) If a buyer of thermal energy has settled all his outstanding liabilities toward the supplier, the supplier shall, within 24 hours, undertake the measures to restore the supply for that buyer and shall, without delay, submit a request to the distributor of thermal energy to restore the supply of thermal energy. The distributor of thermal energy shall fulfil the supplier's request related to the above without any delay.
- (5) The distributor of thermal energy shall restore supply to a buyer within 24 hours if it is found that there were no grounds for the suspension of the supply of thermal energy to that buyer.
- (6) The distributor of thermal energy may suspend the delivery of thermal energy to a buyer who fails to meet his obligations related to access to the distribution network referred to in paragraph 1 of this Article, or fails to pay the fee for the use of the distribution network, as well as in other special cases.
- (7) More detailed terms and procedures for the suspension of delivery of thermal energy, and the rights of thermal energy distributors, suppliers and buyers shall be regulated by the general acts referred to in Article 32 of this Act.

Article 39

- (1) A producer of thermal energy may conclude a thermal energy sale contract directly with a buyer of thermal energy or with a supplier of thermal energy.
- (2) The contract referred to in paragraph 1 of this Article may be concluded after the producer of thermal energy, or the buyer or supplier of thermal energy have obtained prior consent from the distributor of thermal energy.

(3) The producer of thermal energy, or the buyer or supplier of thermal energy who are denied the consent referred to in paragraph 2 of this Article may lodge an appeal with the Agency. The Agency's decision shall be executable.

Article 40

(1) The supplier of thermal energy shall guarantee the continuity and reliability of the thermal energy supply system together with the energy undertaking performing the energy industry activity of thermal energy distribution.

(2) The supplier of thermal energy shall be responsible for ensuring sufficient quantities of thermal energy to meet the demands of the buyer of thermal energy or those of the final customers, and for regularly performing the energy industry activity of thermal energy supply.

Operational Reserves

Article 41

Suppliers of input fuel supplying producers of thermal energy or buyers of thermal energy through a boiler shall have operational reserves of input fuel which can meet at least one month's consumption requirements for that fuel.

Article 42

(1) Buildings constructed without a building licence or other relevant official documents which allow their construction may not be connected to the distribution network.

(2) The provisions of paragraph 1 of this Article shall not apply to buildings which were constructed without a building licence but which are deemed, pursuant to the provisions of a special regulation, to have been built on the basis of a building licence.

Demarcation Point between Activities

Article 43

(1) The demarcation point between the producer of thermal energy and the distributor of thermal energy shall be the billing metering point where thermal energy is received.

(2) The demarcation point between the distributor of thermal energy and the supplier and/or the buyer of thermal energy shall be the billing metering point for the sale of thermal energy, which is equipped with a shared thermal energy meter.

Internal Installations

Article 44

- (1) The buyer of thermal energy shall perform management and maintenance services on the internal installations in a building up to the entrance into the final customers' independent consumer units.
- (2) The buyer of thermal energy shall allow the distributor of thermal energy or the supplier of thermal energy access to the internal installations and shall inform him in a timely manner of any disturbances in taking over the thermal energy delivered.
- (3) If the buyer of thermal energy makes alterations to the internal installations, he must inform the distributor and the supplier of thermal energy thereof. When making alterations to the internal installations, the buyer shall comply in particular with the provisions of the General Terms and Conditions for the Delivery of Thermal Energy referred to in Article 32, paragraph 3 of this Act.
- (4) In addition to the persons referred to in paragraph 1 of this Article, the management and maintenance services on the internal installations of heating systems may also be performed by another legal person, providing that the buyer of thermal energy concludes a contract with that legal person.

Disconnection from the Heating System

Article 45

- (1) By way of derogation from the provisions of the articles of this Act, the final customer on a shared thermal energy meter may be disconnected from the joint heating system subject to meeting the following conditions:
 1. written consent shall be obtained for disconnection from the heating system, which shall be based on the decision taken by the majority of co-owner votes calculated on the basis of the share of co-ownership, and not according to the number of co-owners in the building,
 2. after the consent referred to in item 1 of this paragraph has been obtained, the authorised representative of co-owners shall endorse the written consent on the disconnection from the joint heating system and shall deliver it to the buyer,
 3. works on the disconnection of a final customer's independent consumer unit from the joint heating system shall be considered simple works which may be carried out without a location permit and official documents approving the construction, and shall be carried out in accordance with the main design drawn up by an authorised engineer,
 4. works on the disconnection of an independent consumer unit from the joint heating system may be undertaken by a contractor who complies with the criteria for performing these activities pursuant to a special act,
 5. after completing the disconnection of an independent consumer unit from the joint heating system, the contractor shall draw up a report on the work completed and shall make a

- written statement confirming that the work was carried out in accordance with the main design and the rules of profession for that type of works,
6. after the completion and inspection of the works on the disconnection of an independent consumer unit from the joint heating system, the main designer shall make a statement to the effect that the work was carried out in accordance with the main design and the rules of profession for this type of works,
 7. the statements by the contractor and the main designer shall be kept by the building manager and shall be a mandatory part of the notification to the supplier of energy on the disconnection of the independent consumer unit from the joint heating system,
 8. after the completion of the disconnection procedure, the supplier of thermal energy shall be notified thereof. The notification and the delivery of the documents referred to in item 7 of this paragraph shall be the responsibility of the buyer.

(2) A building can be disconnected from the heating system following a request for disconnection of all independent consumer units in the building filed by the authorised representative of the co-owners on the basis of prior consent from all final customers using the shared thermal energy meter, providing that prior consent has been obtained from the distributor and the supplier of thermal energy.

(3) The final customer referred to in paragraph 1 of this Article shall pay for all costs except for the costs of thermal energy for his independent consumer unit.

Separation of Accounts

Article 46

(1) Energy undertakings performing the activity referred to in Article 6, paragraph 1 of this Act shall keep separate accounts of their activities with a view to implementing the principle of non-discrimination between users of heating systems, avoiding the distortion of market competition and cross-subsidising between the energy industry activities performed as market activities and the energy industry activities performed as a public service.

(2) The energy undertaking referred to in paragraph 1 of this Article shall draw up, publish and have audited its annual financial statements. The audits of annual financial statements must confirm compliance with the principle of non-discrimination between users of the heating system and avoidance of cross-subsidising in the heating sector between the energy industry activities performed as market activities and the energy industry activities performed as a public service. Annual financial statements must include data on the transactions with related energy undertakings.

(3) A buyer of thermal energy shall keep separate analytical accounts for each building.

(4) A buyer of thermal energy shall once a year submit a written report on his activities within a building to all owners of independent consumer units within that building, and shall deliver to the Agency the data necessary for keeping the register of buyers referred to in Article 11, paragraph 8

of this Act. The buyer shall submit the report to all owners of independent consumer units by no later than 1 June of the current year for the previous year.

(5) The energy undertaking referred to in paragraph 1 of this Article shall set up rules for the allocation of assets, liabilities, revenues, costs and depreciation in accordance with the Agency's decision on the manner and procedure of keeping separate accounting records.

(6) The distributor of thermal energy shall keep separate in his business records the data related to the activity of thermal energy distribution and those related to other energy industry activities and other activities.

(7) The supplier of thermal energy shall keep separate in his business records the data related to the activity of thermal energy supply and those related to the activity of the buyer of thermal energy.

Right of Access to Business Records

Article 47

(1) An energy undertaking performing the activity referred to in Article 6, paragraph 1 of this Act and the buyer of thermal energy shall allow the Agency access to their business records, which includes the right of the Agency to request any necessary information and the delivery of any necessary data, on-site review of business records, accounting documents, financial statements and other documents of the energy undertaking and the buyer of thermal energy, and to take any other action necessary for the pursuit of the tasks within the Agency's competence.

(2) The Agency shall keep the confidentiality of the data that have come to its knowledge while carrying out its operations.

IX SUPERVISION

Article 48

(1) The Ministry shall carry out administrative supervision over the implementation of this Act.

(2) Inspection over the implementation of this Act shall be carried out by the State Inspector's Office, other inspection services within their fields of competence, and other state officials, when so ordered by the Minister.

(3) If the competent inspector, while carrying out an inspection, finds that the energy undertaking is not performing the energy industry activity and the final customer of thermal energy is not using thermal energy in compliance with the provisions of this Act and regulations adopted on the basis thereof, in addition to being authorised under general regulations, he shall also be authorised to issue a decision:

1. ordering the elimination of the irregularities and shortcomings identified, setting a deadline for their elimination,
2. prohibiting the pursuit of the energy industry activity if no licence has been obtained for performing certain aspects of that activity pursuant to the provisions of this Act,
3. prohibiting the pursuit of the activity of the buyer of thermal energy if the buyer of thermal energy is not entered into the register referred to in Article 11, paragraph 8 of this Act,
4. prohibiting the construction of a generation plant if the right under Article 9 of this Act to construct the generation plant has been withheld,
5. prohibiting the installation of the devices referred to in Article 33, paragraph 1 of this Act if such work is carried out by a contractor who does not comply with the criteria for performing these activities pursuant to a special regulation,
6. ordering that further construction or use of a generation plant, or the supply or use of energy be suspended if the equipment for the generation plant is not produced and such plants are not used, built or maintained in accordance with the approved or validated documents pursuant to special technical or other regulations, and if this may result in immediate threat to the stability and safety of the generation plant, to the health and lives of people or to the safety of traffic or nearby buildings.

X MISDEMEANOUR PROVISIONS

Article 49

(1) A fine in the amount between HRK 10 000.00 and 50 000.00 shall be imposed on a natural person who is a buyer or a natural person who is an energy undertaking for a misdemeanour if:

1. he performs an energy industry activity without a licence to pursue that energy industry activity pursuant to Article 6, paragraph 3 of this Act,
2. he is not using a building on the basis of proof of ownership or the right to use set out in a lease contract or another contract concluded with the owner of the building and/or equipment for the pursuit of the energy industry activity of thermal energy production pursuant to Article 9, paragraph 2 of this Act,
3. he does not secure the confidentiality of commercial information obtained from other energy undertakings and buyers pursuant to Article 10 of this Act,
4. he concludes a thermal energy consumption contract with a buyer of thermal energy without the existence of the decision referred to in Article 11, paragraph 3, or paragraph 4 of this Act (Article 11, paragraph 5),
5. he is not entered into the register of thermal energy buyers with the Agency pursuant to Article 11, paragraph 8 of this Act,
6. he does not perform his activities in compliance with the General Terms and Conditions for the Delivery of Thermal Energy pursuant to Article 11, paragraph 11 of this Act,
7. he does not ensure professional management, operation and maintenance of a closed heating system pursuant to Article 13, paragraph 2 of this Act,

8. the supply of thermal energy to buyers of thermal energy in a closed heating system is performed by several suppliers contrary to the provisions of Article 13, paragraph 3, or Article 34, paragraph 3 of this Act,
9. he does not monitor the costs of production of thermal energy separately from those of other energy industry activities which are related to the delivery of electricity or thermal energy in accordance with the quantities planned for delivery, pursuant to the provisions of Article 15, paragraph 6 of this Act,
10. production plants which are planned to be constructed fail to comply with the criteria defined in the energy approval procedure (Article 16, paragraph 1),
11. he pursues the energy industry activity of thermal energy distribution without concluding a concession agreement for thermal energy distribution or a concession agreement for the construction of energy facilities for thermal energy distribution, or he pursues the energy industry activity of thermal energy distribution in an area for which a concession agreement has been concluded with another energy undertaking (Article 19, paragraph 1),
12. the distributor of thermal energy fails to meet his obligations set out in Article 27 of this Act,
13. he does not keep separate accounts of his activities or analytical accounts for each building pursuant to Article 11, paragraph 7, Article 13, paragraph 5, Article 14, paragraph 3 or Article 46 of this Act,
14. he does not submit data or does not submit data upon request pursuant to the provisions of Article 5, paragraph 2, Article 11, paragraph 9 or 10, Article 15, paragraph 7 or 8, and Article 30 of this Act,
15. he does not draw up a plan for the development of the heat distribution network in accordance with the Energy Strategy, the Energy Strategy Implementation Programme, and the plans and programmes of local self-government units in whose territory he pursues the energy industry activity of thermal energy distribution pursuant to Article 28, paragraph 1 of this Act,
16. the distribution network development plan does not include the minimum elements set out in Article 28, paragraph 2 of this Act,
17. he does not deliver to the local self-government units information on the implementation of the distribution network development plan in accordance with the adopted plans and programmes of the local and regional self-government unit and the distribution network development plan (Article 28, paragraph 4),
18. he denies access to the distribution network without reason, contrary to Article 29, paragraph 1, item 1 of this Act,
19. he does not deliver to the party concerned a decision stating the reasons for denying it access pursuant to Article 29, paragraph 2 of this Act,
20. he does not act in accordance with the General Terms and Conditions for the Supply of Thermal Energy, the General Terms and Conditions for the Delivery of Thermal Energy and the Network Rules for the Distribution of Thermal Energy referred to in Article 32 of this Act,
21. he does not use thermal energy under the conditions, in the manner and for the purpose established pursuant to Article 36, paragraph 6 of this Act,
22. he uses thermal energy in breach of the terms and conditions established in the General Terms and Conditions for the Supply of Thermal Energy as regards the reliability and accuracy of measurement of the thermal energy taken pursuant to Article 36, paragraph 7 of this Act.

23. he does not give authorised persons access to measuring devices and internal installations or to the connection site for the purpose of reading the meter, inspection, elimination of faults, replacement and maintenance of equipment and relocating meters outside the building or to the property boundary, or suspending the delivery of thermal energy in cases of its unauthorised use, or failure to pay within fixed deadlines and under specified conditions any due liabilities for the delivered thermal energy (Article 36, paragraph 9),
24. he does not ensure consistency between the proposed terms of the buyer's supply contract and the general acts referred to in Article 32 of this Act (Article 37, paragraph 3),
25. he is performing the energy industry activity of thermal energy supply without the Agency's licence, in breach of the provision of Article 35, paragraph 1 of this Act,
26. he does not draw up and publish in an appropriate manner the standard terms and conditions for the conclusion of buyer's supply contracts, with the terms established in advance, as foreseen under Article 37, paragraph 4 of this Act.
27. he concludes a buyer's supply contract which does not contain the minimal elements referred to in Article 37, paragraph 5 of this Act,
28. he does not take measures, within 24 hours, to restore the supply of thermal energy to the buyer who has settled his outstanding liabilities, or does not forthwith submit a request to the distributor of thermal energy to restore the supply of thermal energy pursuant to Article 38, paragraph 4 of this Act.
29. he does not restore, within 24 hours, the supply of a buyer if it is found that the supply of that buyer with thermal energy was suspended without a justified cause, as foreseen under Article 38, paragraph 5 of this Act,
30. he concludes a thermal energy sale contract without prior consent of the distributor of thermal energy, contrary to the provision of Article 39, paragraph 2 of this Act,
31. he connects to the distribution network a building constructed without a building licence or another appropriate official document which allows buildings to be constructed, contrary to the provision of Article 42, paragraph 1 of this Act,
32. the management and maintenance services on the internal installations of a building are not performed by the person referred to in Article 44, paragraph 1 of this Act,
33. he makes alterations on the internal installations without prior notification to the distributor and the supplier of thermal energy (Article 44, paragraph 3),
34. in the case of an energy industry activity which is performed as a public service he fails to apply the amounts of the tariff items based on the tariff methodology pursuant to Article 15, paragraph 5, Article 27, item 17 and Article 34 of this Act,
35. he does not allow access to his business records pursuant to Article 47 of this Act,
36. he does not act on the decision of the competent inspector pursuant to Article 48, paragraph 3 of this Act,
37. he does not ensure the compliance of his operations, or fails to organise the pursuit of his activities by the prescribed deadline pursuant to Article 53, paragraphs 2, 3 and 9 of this Act,
38. he does not render a decision by the prescribed deadline pursuant to Article 53, paragraphs 4 and 10 of this Act,
39. he does not conclude a contract by the prescribed deadline pursuant to Article 53, paragraphs 5, 8 and 11 of this Act,

40. he does not deliver data by the prescribed deadline pursuant to the provisions of Article 53, paragraphs 6 and 7 of this Act,

(2) A legal person or a legal person who is an energy undertaking shall be fined in the amount between HRK 20 000.00 and 500 000.00 for a misdemeanour referred to in paragraph 1 of this Article.

(3) The responsible person within the natural or legal person and within the energy undertaking shall be fined in the amount between HRK 300.00 and 50 000.00 for a misdemeanour referred to in paragraph 1 of this Article.

(4) In addition to the fine for a misdemeanour, a safeguard measure may be imposed on an energy undertaking or a buyer of thermal energy who has committed two or more misdemeanours referred to in paragraph 1 of this Article or who has repeated a misdemeanour referred to in paragraph 1 of this Article two or more times within one year, prohibiting the pursuit of the energy industry activity or activities, for one year, and a safeguard measure may be imposed on the responsible person within the energy undertaking, or within the buyer of thermal energy, prohibiting their performance of the same operations for one year.

Article 50

(1) A natural person who is a final customer shall be fined in the amount between HRK 10 000.00 and 50 000.00 for a misdemeanour if he makes alterations to the internal installations or to the shared thermal energy meter without consent from the buyer.

(2) A natural person who is a final customer shall be fined in the amount between HRK 10 000.00 and 50 000.00 for a misdemeanour if he fails to install heat regulation devices and devices for the local distribution of the heat delivered (a distributor) or devices for measuring thermal energy consumption in his independent consumer unit pursuant to Article 33 of this Act, or if he fails to install them by the specified deadline pursuant to Article 52 of this Act.

(3) A natural person who is a final customer shall be fined in the amount between HRK 20 000.00 and 50 000.00 for a misdemeanour if he disconnects himself from the joint heating system at the shared thermal energy meter without complying with the requirements set out in Article 45, paragraph 1 of this Act.

(4) A legal person who is a final customer shall be fined in the amount between HRK 20 000.00 and 500 000.00 for a misdemeanour referred to in paragraphs 1, 2 and 3 of this Article.

(5) A natural person who is a buyer of thermal energy shall be fined in the amount between HRK 10 000.00 and 50 000.00 if he disconnects a building from the heating system at the shared thermal energy meter without prior consent from all final customers in the building or without obtaining prior consent from the distributor and supplier of thermal energy in that heating system.

(6) A legal person who is a final customer of thermal energy shall be fined in the amount between HRK 20 000.00 and 500 000.00 for the misdemeanour referred to in paragraph 5 of this Article.

(7) A natural person who is a final customer shall be fined in the amount between HRK 5 000.00 and 50 000.00 for a misdemeanour if he fails to bear the costs pursuant to Article 45, paragraph 3 of this Act.

(8) A legal person who is a final customer shall be fined in the amount between HRK 10 000.00 and 100 000.00 for the misdemeanour referred to in paragraph 7 of this Article.

XI TRANSITIONAL AND FINAL PROVISIONS

Article 51

(1) Energy undertakings which perform the energy industry activity of thermal energy distribution on the day this Act enters into force shall continue to perform the energy industry activity of thermal energy distribution and the energy industry activity of supplying thermal energy to the tariff buyers until the conclusion of a concession agreement or a contract on performing the energy industry activity, but for no longer than one year from the date this Act enters into force.

(2) If, on the date this Act enters into force the energy industry activities referred to in paragraph 1 of this Article are performed on the basis of a concession, the concession holder shall continue to perform that activity until the concession expires and in accordance with the terms and conditions of the concession agreement.

Article 52

(1) Buildings constructed after this Act enters into force shall be connected to the thermal energy distribution network in such a way that each independent consumer unit shall have its own individual thermal energy meter, a separate water meter for measuring the consumption of hot water and a water meter for measuring the consumption of cold water.

(2) All owners of independent consumer units within a building which was constructed before this Act enters into force and has more than 70 (seventy) independent consumer units connected to the heating system, shall install the devices referred to in Article 33, paragraph 1 of this Act by 31 December 2015, in each independent consumer unit.

(3) All owners of independent consumer units within a building constructed before this Act enters into force which has 2 (two) or more independent consumer units and is connected to the heating system shall install the devices referred to in Article 33, paragraph 1 of this Act by 31 December 2016, in each independent consumer unit.

(4) Only devices produced by a single manufacturer of measuring devices, who is chosen freely by the owners of independent consumer units in a building, may be installed in the building, in order to allow a uniform system of reading and charging for the thermal energy delivered.

Article 53

- (1) In case a buyer of thermal energy is in difficulty, a local self-government unit shall designate by 1 November 2015 the largest supplier of thermal energy as the buyer of thermal energy in its area pursuant to Article 5, paragraph 8 of this Act.
- (2) Energy undertakings which perform the energy industry activity referred to in Article 6, paragraph 1 of this Act shall align their operations with the provisions of this Act by 1 October 2013.
- (3) A legal or natural person who pursues the activities referred to in Article 3, paragraph 2, item 6 of this Act shall arrange the pursuit of those activities in accordance with the provisions of Article 11 of this Act by 1 November 2013.
- (4) Co-owners of independent consumer units shall make the decision referred to in Article 11, paragraph 3 of this Act by 1 February 2014 for the heating season 2014/2015.
- (5) Authorised representatives of co-owners and economic operators registered to perform the activities referred to in Article 3, paragraph 2, item 6 of this Act shall conclude a thermal energy consumption contract with a buyer of thermal energy by 1 June 2014.
- (6) The legal or natural person referred to in Article 3, paragraph 2, item 16 of this Act shall deliver to the Agency the data referred to in Article 11, paragraph 10 of this Article for the first time by 1 March 2014 for the year 2014.
- (7) The producer of thermal energy shall deliver to the Agency the data on the level of costs of thermal energy production referred to in Article 15, paragraph 8 of this Act for the first time by 1 March 2015 for the year 2014.
- (8) Local self-government units and distributors of thermal energy shall align their concession agreements with the provisions of this Act by 1 November 2014.
- (9) Energy undertakings and buyers of thermal energy shall align their operations with the General Terms and Conditions for the Supply of Thermal Energy, the General Terms and Conditions for the Delivery of Thermal Energy and the Network Rules for the Distribution of Thermal Energy referred to in Article 32 of this Act by 15 September 2014.
- (10) Owners of independent consumer units shall make the decision referred to in Article 33, paragraph 4, or paragraph 5 of this Act by 15 September 2014.
- (11) Buyers of thermal energy and suppliers of thermal energy shall for the first time conclude a buyer's supply contract in accordance with the provisions of this Act by 1 September 2014 for the heating season 2014/2015.

(12) At the time this Act enters into force, the property use fee with regard to heating substations in district heating systems, external installations and boilers in closed heating systems, and production plants in independent heating systems shall be based on the undepreciated value of the property and a reasonable return thereon. The above mentioned property which is older than 20 years, or external installations which are older than 30 years shall become the property of the final customers, unless otherwise provided.

Article 54

(1) The representative bodies or other authorised bodies of local self-government units shall align their acts with this Act within one year from the date this Act enters into force.

(2) The acts of the representative bodies or other authorised bodies of local self-government units which are not aligned with the provisions of this Act shall cease to be valid on the date of expiry of the deadline referred to in paragraph 1 of this Article.

Article 55

(1) The Government of the Republic of Croatia shall adopt the regulation referred to in Article 23, paragraph 4 of this Act within twelve months from the date this Act enters into force.

(2) The Government of the Republic of Croatia shall adopt the programme for utilising heating and cooling efficiency potentials referred to in Article 17, paragraph 1 of this Act by 1 July 2015, for the period 2016 to 2030.

(3) The Minister shall adopt the regulations referred to in Article 15, paragraph 12, Article 16, paragraph 5 and Article 33, paragraph 2 of this Act within six months from the date of adoption of the acts referred to in paragraph 5 of this Article.

(4) The Ministry shall notify the European Commission about the derogations referred to in Article 15, paragraph 14 of this Act by 31 December 2013.

(5) The Agency shall adopt the legal acts referred to in Article 15, paragraph 5, Article 32, paragraphs 1, 3 and 5 and Article 34, paragraphs 1, 2 and 7 of this Act within six months from the date this Act enters into force.

(6) The Agency shall adopt the legal act referred to in Article 15, paragraph 14 of this Act by 31 October 2013 at the latest.

(7) If plants or heating systems referred to in Article 15, paragraph 9 of this Act are planned or refurbished after 5 June 2014, a cost-benefit analysis shall be required in accordance with Article 15, paragraph 12 of this Act.

(8) Until the regulations referred to in paragraphs 1 and 3 of this Article or the legal acts referred to in paragraph 5 of this Article enter into force, the regulations or the legal acts which will be in force on the date this Act enters into force shall apply, unless they are contrary to the provisions of this Act.

Article 56

Proceedings initiated before this Act entered into force shall be completed in accordance with the provisions of the Act on Production, Distribution and Supply of Thermal Energy (Official Gazette 42/05 and 20/10).

Article 57

On the date of the entry into force of this Act, the Act on the Production, Distribution and Supply of Thermal Energy shall cease to have effect (Official Gazette 42/05 and 20/10).

Article 58

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette.

Class: 022-03/13-01/113

Zagreb, 21 June 2013

THE CROATIAN PARLIAMENT

The President of the Croatian Parliament

Josip Leko, m.p.