

THE GOVERNMENT OF THE REPUBLIC OF CROATIA

Pursuant to Article 28, paragraph 3 of the Energy Act (Official Gazette 68/2001 and 17/2004), the Government of the Republic of Croatia, at its session on 22 March 2007, adopted the following

TARIFF SYSTEM FOR THE PRODUCTION OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND COGENERATION

I GENERAL PROVISIONS

Article 1

(1) This Tariff System for the production of electricity from renewable energy sources and cogeneration (hereinafter: the Tariff System) regulates the right of eligible producers of electricity to an incentive price of electricity paid by the market operator for the delivered electricity produced in plants using renewable energy sources and cogeneration plants pursuant to Article 26, paragraph 5 of the Energy Act.

(2) This Tariff System defines the tariff items and the amounts of tariff items for electricity produced in plants using renewable energy sources and cogeneration plants, depending on the type of source, power and other elements of delivered energy, as well as the manner and conditions of application of those elements.

(3) This Tariff System is based on justified costs of operation, construction, replacement, reconstruction and maintenance of plants using renewable energy sources and cogeneration plants and on a reasonable return on investment funds.

Article 2

(1) The terms used in this Tariff System shall have the meanings laid down in the Energy Act and the Electricity Market Act.

(2) The following terms shall also be used in this Tariff System with the following meanings:

1. Installed power of the plant – the sum of nominal outputs of all generators in the plant,
2. Incentive fee for promotion of electricity production from plants using renewable energy sources and cogeneration plants (hereinafter: the incentive fee) – electricity price supplement for all buyers used to promote the production of electricity from plants using renewable energy sources and cogeneration plants, expressed in HRK/kWh;
3. Nominal output– permanent output of a production unit according to which the unit was ordered and designed. The information on nominal electric or heat output is indicated on the nominal (factory) plate of the electricity or heat generator or in the technical specification made by the producer,
4. Incentive price – the price paid to the producer of electricity from plants using renewable energy sources and cogeneration plants during the validity of the agreement on the purchase of electricity, expressed in HRK/kWh,
5. Project for the use of renewable energy sources and cogeneration (hereinafter: the project) – preparation, construction and use of plants using renewable energy sources or cogeneration,

6. Average manufacturing price of electricity (AMP) – price used by the market operator for calculating the electricity produced in plants using renewable energy sources or cogeneration plants,
7. Total fee – the total amount paid by every buyer for promoting production of electricity in plants using renewable energy sources or cogeneration plants. It is calculated as the product of multiplication of the fee and the total consumption in KWh, expressed in HRK.

II INCENTIVE PRICE FOR DELIVERED ELECTRICITY FROM PLANTS USING RENEWABLE ENERGY SOURCES AND COGENERATION

Article 3

The right to an incentive price shall be acquired by the electricity producer using renewable energy sources, i.e. cogeneration, for the production of electricity provided that the electricity producer has:

1. Obtained the decision on acquiring the status of eligible electricity producer pursuant to Article 8, paragraph 2 of the Electricity Market Act;
2. Concluded with the market operator a contract on the purchase of electricity pursuant to Article 30, paragraph 1, subparagraph 9 of the Electricity Market Act.

Article 4

(1) This Tariff System determines the tariff items and amounts of tariff items (C) expressed in HRK/kWh for the delivered electricity from plants using renewable energy sources for the following groups of plants:

1. Plants connected to the distribution network using renewable energy sources for the production of electricity of installed electrical power up to and including 1 MW

Type of plant	C
a. solar power plants	
a.1. solar power plants with installed power up to and including 10 kW	3.40
a.2. solar power plants with installed power exceeding 10 kW up to and including 30 kW	3.00
a.3. solar power plants with installed power exceeding 30 kW	2.10
b. hydro power plants	0.69
c. wind power plants	0.64
d. biomass power plants	
d.1. solid biomass from forestry and agriculture (branches, straw, kernels...)	1.20
d.2. solid biomass from wood-processing industry (bark, saw dust, chaff...)	0.95
e. geothermal power plants	1.26

f. biogas power plants from agricultural plants (corn silage...) and organic remains and waste from agriculture and food processing industry (corn silage, manure, slaughterhouse waste, waste from the production of biofuel ...)	1.20
g. liquid biofuel power plants	0.36
h. water gas power plants and power plants using gas from water treatment plants	0.36
i. power plants using other renewable energy sources (sea waves, ebb and tide...)	0.60

2. Plants connected to the transmission or distribution network using renewable energy sources for the production of electricity of installed electrical power exceeding 1 MW

Type of plant	C
a. hydro power plants with installed power up to and including 10 MW	
- power up to and including 5000 MWh produced in the calendar year	0.69
- power exceeding 5000 MWh up to and including 15000 MWh produced in the calendar year	0.55
- power exceeding 15000 MWh produced in the calendar year	0.42
b. wind power plants	0.65
c. biomass power plant	
c.1. solid biomass from forestry and agriculture (branches, straw, kernels...)	1.04
c.2. solid biomass from wood-processing industry (bark, saw dust, chaff...)	0.83
d. geothermal power plants	1.26
e. biogas power plants from agricultural plants (corn silage...) and organic remains and waste from agriculture and food processing industry (corn silage, manure, slaughterhouse waste, waste from the production of biofuel)	1.04
f. liquid biofuel power plants	0.36
g. water gas power plants and power plants using gas from water treatment plants	0.36
h. power plants using other renewable energy sources (sea waves, ebb and tide...)	0.50

(2) Tariff items and amounts of tariff items (C) expressed in HRK/kWh shall be determined for cogeneration plants for the delivered electricity for the duration of higher (HT) and lower (LT) daily tariff items. The duration of HT and LT shall be determined by the tariff system for the generation of electricity. Electricity must be produced in the cogeneration process in the manner prescribed by the regulation governing the acquisition of the status of eligible producer.

	C	
	HT	LT
Cogeneration plants with installed power up to and including 50 kW, so-called micro-cogeneration units and all cogeneration plants using hydrogen fuel cells	0.61	0.32
Cogeneration plants with installed power exceeding 50 kW and up to and including 1 MW, so-called small scale cogeneration units	0.51	0.26
Cogeneration plants with installed power exceeding 1 MW up to and including 35 MW, so-called medium scale cogeneration units connected to the distribution network	0.44	0.22
Cogeneration plans with installed power exceeding 35 MW, so-called large scale cogeneration units, and all cogeneration plants connected to the transmission network	0.30	0.15

(3) The amount of tariff items (C) referred to in paragraph 1 of this Article shall be multiplied with the correction factor determined in the table:

Share of domestic component in the project, p (%)	Correction factor, k_o
60 and more	1.00
45 - 60	$\frac{7}{1500} \cdot p + 0,72$
45 and less	0.93

(i) k_o is the correction factor for the share of domestic component between 45% and 60%, rounded to two decimal places,

(ii) p-established percentage share of the domestic component.

(4) The share of domestic component in the project referred to in paragraph 3 of this Article shall be determined by the Ministry.

(5) The provisions of paragraph 3 of this Article does not apply to competent authorities in existing projects with purchase and/or delivery of electricity regulated by contracts on the day

of entry into force of this Tariff System and to individual projects for which the share of domestic component of at least 45% cannot be achieved.

(6) Criteria and standards for determining the domestic component in the project shall be prescribed by the minister.

(7) The share of the domestic component of the eligible producer in the project shall also include the equipment of domestic producers belonging to the same tariff item on the basis of which the eligible producer acquired the right to the incentive price, and which was exported abroad, in accordance with the criteria and standards referred to in paragraph 6 of this Article.

Article 5

(1) The amount of the incentive price for electricity produced in plants using renewable energy sources during the validity of the contract for the purchase of electricity shall be adjusted annually for the retail price index in the way that the incentive price for the previous calendar year is multiplied with the annual retail price index for the previous calendar year, that is

$$C_{Goie} = C_{Goie-1} \cdot ICM_{Goie-1}$$

(i) C_{Goie} is the incentive price for the current calendar year.

(ii) C_{Goie-1} is the incentive price for the previous calendar year, for 2007 it represents the amount of the tariff item C referred to in Article 4, paragraph 1 of this Tariff System,

(iii) ICM_{Goie-1} is the annual retail price index according to official data from the Central Bureau of Statistics for the previous calendar year.

(iv) $Goie$ is the year index, the minimum value for 2008.

(2) The amount of the incentive price of electricity produced from cogeneration plants during the validity of the contract for the purchase of electricity shall be corrected according to the following formula:

$$C_{Gk,m} = f_{Gk,m} \cdot C$$

(i) $C_{Gk,m}$ is the incentive price for the current calendar year Gk and the accounting period in the month preceding the calculation of m ,

(ii) The amount of the tariff item C is defined in Article 4, paragraph 2 of this Tariff System.

(iii) The correction factor $f_{Gk,m}$ for the year Gk and the accounting period m shall be calculated using the following formula:

$$f_{Gk,m} = k \cdot \frac{PPC_{Gk-1}}{PPC_{2006}} + (1-k) \cdot \frac{CPLIN_m}{CPLIN_{2006}}$$

(iv) PPC_{2006} is the average manufacturing price of electricity in 2006 in the Republic of Croatia used by the market operator for the calculation of energy produced from plants using renewable energy sources and cogeneration plants,

(v) PPC_{Gk-1} is the average manufacturing price of electricity in the previous calendar year in the Republic of Croatia used by the market operator for the calculation of energy produced in plants using renewable energy sources and cogeneration plants.

(vi) $CPLIN_m$ is the selling price of natural gas determined by the tariff system for the supply of natural gas for tariff buyers, valid in the month preceding the calculation.

(vii) CPLIN2006 is the selling price of natural gas determined by the tariff system for the supply of natural gas for tariff buyers, valid in the last trimester of 2006.

(viii) GK is the year index, the minimum value in 2007, and m is the index of the accounting period in a year.

(ix) k is the weight factor, $k=0.25$.

(3) PPC (average manufacturing price of electricity (AMP)) shall be equal to the price of generation of electricity for tariff buyers from the category of households with single-tariff meters for electricity.

Article 6

(1) From the incentive fee funds the market operator shall pay the costs of balancing the electric power system which arise due to discrepancies between planned and produced electricity from plants of eligible producers entitled to the incentive price.

(2) The calculation and payment of costs referred to in paragraph 1 of this Article shall be performed by the market operator in accordance with the Rules on balancing the electric power system.

Article 7

(1) Eligible producers of electricity from plants using renewable energy sources in combination with other energy sources shall be entitled to the incentive price referred to in Article 4 of this Tariff System only in the part using renewable energy sources.

(2) The right referred to in paragraph 1 of this Article may be realised by eligible energy producers only if they prove the origin of produced electricity (type of sources) by means of separate measurement points.

(3) Eligible producers of electricity using co-combustion of biomass and fossil fuels in electricity generation plants shall be entitled to the incentive price referred to in Article 4 of this Tariff System prescribed for the eligible producer of electricity from biomass power plants if the energy share of fossil fuels does not exceed 10% of the total energy value of used fuel. Eligible producers of electricity using co-combustion of biomass and fossil fuels with energy share exceeding 10% in co-generation shall be entitled to the incentive price referred to in Article 4 of this Tariff System prescribed for cogeneration plants.

(4) The market operator shall conclude contracts on the purchase of electricity with the eligible producer of electricity from plants using solar energy until the total installed power of all plants of this type, for which the decision on acquiring the status of eligible electricity producer has been obtained, in the Republic of Croatia reaches 1MW.

(5) The market operator shall conclude contracts on the purchase of electricity with the eligible producer of electricity in plants using hydrogen fuel cells until the total installed power of all plants of this type, for which the decision on acquiring the status of eligible electricity producer has been obtained, in the Republic of Croatia reaches 1MW.

III CONTRACT ON THE PURCHASE OF ELECTRICITY

Article 8

The eligible producer of electricity shall realise the right to the incentive price referred to in Article 4 of this Tariff System by fulfilling the conditions from the contract on the purchase of

electricity concluded with the market operator pursuant to Article 30, paragraph 1, subparagraph 9 of the Electricity Market Act.

Article 9

(1) For the purpose of concluding the contract on the purchase of electricity, the energy undertaking shall submit to the market operator, in writing, the request for concluding the contract on the purchase of electricity.

(2) The following shall be enclosed in the request for concluding the contract:

- Preliminary contract or the contract on the connection to the electric power network,
- Preliminary decision on the acquisition of the status of eligible producer.

(3) The contract on the purchase of electricity shall be concluded within 60 days from the day the complete request was received.

(4) The contract on the purchase of electricity shall apply as of the date when the decision on acquiring the status of eligible producer becomes final.

Article 10

The contract on the purchase of electricity produced in plants using renewable energy sources and cogeneration plants shall be concluded for the period of 12 years.

Article 11

(1) For plants which use renewable energy sources for electricity generation and which have a contractually regulated purchase of electricity on the date of entry into force of this Tariff System, the period referred to in Article 10 of this Tariff System shall be reduced by the time of application of that contract.

(2) The existing plants using renewable energy sources for electricity generation which are more than 12 years old shall not be entitled to an incentive price.

Article 12

(1) Cogeneration plants which produce electricity shall be entitled to the incentive price for electricity delivered into the electric power network if it was produced in the manner prescribed by the regulation governing the acquisition of the status of eligible producer.

(2) For cogeneration plants which have a contractually regulated purchase of electricity on the date of entry into force of this Tariff System, the period referred to in Article 10 of this Tariff System shall be reduced by the time of application of that contract, but may not be shorter than 5 years.

Article 13

(1) The market operator shall engage in concluding contracts on the purchase of electricity at an incentive price with eligible energy producers until the total planned production of electricity from plants using renewable energy sources and cogeneration plants reaches the minimum share of electricity established under a special regulation.

(2) The manner and elements of establishing the incentive price, i.e. the incentive price established under the tariff system for the production of electricity from renewable energy sources and cogeneration, valid at the time of concluding the contract on the purchase of electricity shall not change during the validity of the contract.

(3) The purchase of electricity produced in plants using renewable energy sources and cogeneration plants executed by the marked operator on the basis of the contract shall not be regarded as trade in electricity.

IV CALCULATION AND PAYMENT

Article 14

Calculation, collection and allocation of funds gathered from incentive fees shall be carried out by the market operator.

Article 15

(1) In accordance with the provisions of this Tariff System, once a month, the market operator shall pay the incentive price for the delivered electricity to the eligible producer of electricity with which it concluded the contract on the purchase of electricity.

(2) The transmission system operator and the distribution system operator shall submit to the market operator data on the total electricity delivered into the electric power system in the previous month by the 15th of each calendar month, and expressed in KWh for each individual eligible producer of electricity.

(3) Data referred to in paragraph 2 of this Article shall serve as the basis for the calculation of electricity of the eligible producer of electricity.

(4) The market operator shall pay the claims referred to in paragraph 1 of this Article within 45 days from the day the eligible producer of electricity with which it concluded the contract on the purchase of electricity issued the invoice.

(5) The eligible producer of electricity in cogeneration plants which, in the accounting year, does not fulfil the conditions on the basis of which it acquired the status of eligible producer shall return the paid incentive funds upon the operator's request. The funds shall be calculated as the difference between the incentive price and the average manufacturing price of electricity (AMP) in the year in question.

Article 16

(1) By the 15th of each calendar month the transmission system operator and the distribution system operator shall submit to the market operator data on the total electricity calculated and delivered to the buyers in the previous month expressed in KWh for every individual supplier of electricity.

(2) On the basis of the data referred to in paragraph 1 of this Article the market operator shall determine the total amount of its claims towards each individual electricity supplier under the item of incentive fees.

Article 17

(1) Once a month the market operator shall deliver to each electricity supplier an itemised invoice specifying the total amount of funds that the electricity supplier is obliged to pay to the market operator under the item of incentive fees.

(2) The electricity supplier shall pay the appropriate amount to the market operator within 10 days from the date of issuing the invoice referred to in paragraph 1 of this Article.

Article 18

(1) Once a month the market operator shall deliver to each electricity supplier an itemised invoice specifying the amount of funds that the electricity supplier is obliged to pay to the market operator under the item relating to the taking over of a certain share of electricity produced in plants using renewable energy sources and cogeneration plants.

(2) The amount referred to in paragraph 1 of this Article shall be determined on the basis of the planned value of electricity produced in plants using renewable energy sources and cogeneration plants according to the average manufacturing price of electricity referred to in Article 5, paragraph 3 of this Tariff System.

(3) The electricity supplier shall pay the appropriate amount to the market operator within 10 days from the date of issuing the invoice.

Article 19

(1) The market operator shall, at least twice a year, calculate the difference between the planned value of electricity produced in plants using renewable energy sources and cogeneration plants and the value of actually produced electricity in plants using renewable energy sources and cogeneration plants on the basis of which mutual obligations of the market operator and energy suppliers shall be determined.

(2) The final calculation for the previous calendar year shall be performed by the market operator by 31 March of the following year.

V TRANSITIONAL AND FINAL PROVISIONS

Article 20

(1) Until the value of the average manufacturing price of electricity (AMF) is determined pursuant to Article 5, paragraph 3 of this Tariff System, the average manufacturing price of electricity (AMP) shall amount to 0.2625 HRK/kWh.

(2) In the transitional period until 31 December 2008, the unit price of electricity balanced by the coverage of costs of eligible producers of electricity included in the promotion system (Cpov) shall amount to 10% of the average manufacturing price of electricity (AMP).

Article 21

Until the day of entry into force of the regulation referred to in Article 7, paragraph 3 of the Electricity Market Act governing the payment of the fee to units of local self-government on the territory of which the plants are situated, the producers of electricity from wind power plants with installed power exceeding 1MW, geothermal power plants and small hydro power plants shall pay the fee to local self-government units in the amount of 0.01 HRK/kWh of the delivered electricity.

Article 22

The provision of Article 4, paragraph 7 of this Tariff System shall apply until 31 December 2008.

Article 23

When concluding contracts with eligible producers, the market operator must take into account that all renewable energy sources for the production of electricity be represented in

the manner that the share of an individual renewable energy source does not exceed more than 80% of the total production of electricity from incentivised renewable energy sources.

Article 24

The application of this Tariff System shall be supervised by the Agency.

Article 25

This Tariff System shall enter into force on 1 July 2007 and shall be published in the Official Gazette.

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PROVISIONAL TRANSLATION