**THERMAL ENERGY MARKET ACT**

**I. GENERAL PROVISIONS**

**The Subject and Application of the Act**

**Article 1**

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

(2) To relationships in the heating sector which are not regulated by the provisions of this Act, the provisions of the Acts shall apply that regulate the energy sector, regulations of energy industry activities, the provisions of laws which regulate the area of energy efficiency, and the provisions of the laws regulating the area of concession.

(3) The provisions of the Act on General Administrative Procedure shall apply to proceedings prescribed by this Act as appropriate.

**The Application of the Acquis of the European Union**

**Article 2**

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

* Directive 2009/28/EC of the European Parliament and the Council of 23 April 2009 on on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (SL. 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) (SL L 153, 18.6.2010) and
* Directive 2012/27/EU  of the European Parliament and the Council of 25 October 2012, on energy efficiency, which is supplemented by Directives 2009/125/EC and 2010/30/EU and repeals Directives 2004/8/EC and 2006/32/EC (SL L 315, 14.11.2012),

**The Meanings of Specific Expressions**

**Article 3**

(1) The expressions used in this Act have the meaning established by the Act regulating the energy sector.

(2) In this Act other expressions are also used, which shall have the following meanings within the meaning of this Act:

1. *district heating system* - a heating system consisting of a production plant for thermal energy and a distribution network.
2. *distribution network* - hot water pipes, and/or steam pipe network, from the point of measurement (meter) of the producer of thermal energy, to the meter at the location of the buyer, of a length greater than 2000 m and with connections to more than 500 independent consumer units.
3. distribution area – the area or part of an area of a unit of local self-government for which a concession is granted for distribution of thermal energy or a concession for construction of a distribution network.
4. distribution of thermal energy – distribution of thermal energy by means of a network for supplying thermal energy to the customer, excluding the supply of thermal energy.
5. *distributor of thermal energy* – an energy company performing the activity of distribution of thermal energy in a district heating system.
6. *the activity of buyer of thermal energy* –an activity different from an energy industry activity, covering professional administration, handling and maintenance of internal installations, delivery of thermal energy for calculation of thermal energy and issuing invoices to the end customer in a building in an independent,closed or district heating system, on the basis of a contract on consumption of thermal energy, concluded with the authorized representative of the co-owners.
7. *energy sources* –are considered to be the input quantities of gas, oil derivatives, coal, renewable energy sources etc, for transformation into thermal energy
8. *energy company* –a legal or physical person who performs one or more energy industry activities or has a permit to perform an energy industry activity.
9. *The Croatian Energy Regulatory Agency (Hrvatska energetska regulatorna agencija*) – (hereinafter: the Agency) - an independent regulator of the energy industry founded by a separate Act and with authorities prescribed by the provisions of this Act, the laws regulating the energy sector and the regulations of the energy industry.
10. *cogeneration* - a production plant for transformation of input sources of energy, where thermal and electrical or mechanical energy are produced at the same time in a single process.
11. *distribution network user* - every physical or legal person who provides thermal energy to, or takes thermal energy from the distribution network,
12. *use for mainly commercial purposes* – when the quantity of thermal energy for heating space, for their own use by the end customer which is not a household, amounts to less than fifty percent of the total thermal energy consumed.
13. *boiler –* a production plant, including cogeneration, for transformation of input energy sources into thermal energy, which is part of an independent, closed or district heating system
14. *the end customer* –a legal or physical person who purchases thermal energy for their own use from the buyer on the basis of calculation of thermal energy,
15. *household* – an end customer who purchases thermal energy for consumption in an independent consumer unit, if they do not perform the work of a registered business or another occupation in that independent consumer unit,
16. *buyer of thermal energy* – a legal or physical person, who in the name of and for the account of the owners and/or co-owners of a building performs the activity of buyer in an independent, closed or district heating system,
17. *buyer of thermal energy in difficulties* – a buyer of thermal energy who for a period of no less than 50 days has not settled their outstanding financial obligations towards an energy company or has not met their obligations towards the end customer,
18. *the Minister* – the minister competent for energy,
19. *the Ministry* – the ministry competent for energy,
20. *thermal energy meter* – a device which registers the quantity of thermal energy delivered at the site of measurement, pursuant to the regulations from the field of metrology and the technical requirements of the thermal energy distributor, for the sake of calculation of thermal energy,
21. *demarcation point* – the place where the competence of one energy company ends and the competence of another energy company or buyer/customer begins,
22. *calculation point –* a demarcation point at which there is a thermal energy meter,
23. *heating season* - the part of the calendar year in which the readiness of the heating system is ensured for deliveries of thermal energy for heating,
24. *supply of* *thermal energy* – the energy industry activity that ends at the demarcation point between the supplier and the customer/buyer, for which it is necessary to obtain a permit from the Agency, unless this Act prescribes otherwise,
25. *thermal energy supplier* – an energy company registered for the energy industry activity of supplying thermal energy, which purchases thermal energy in a district heating system from the producer of thermal energy, and concludes a contract on distribution with a distributor of thermal energy and sells thermal energy to buyers, and in a closed heating system purchases input energy sources for transformation into thermal energy and delivers thermal energy to the buyer for calculation of thermal energy,
26. *authorized representative of co-owners* – a physical or legal person whom the co-owners of an independent consumer unit within a building have authorized to represent them, in procedures arising from management, on the basis of a management contract or a co-ownership contract,
27. *connected power* – the highest permitted power transmitted by the production plant for transformation or in to the distribution network or the permitted power of thermal energy which is taken from external installations or the distribution network by the buyer of thermal energy at the demarcation point, prescribed by the thermal energy agreement,
28. *production of thermal energy* – a production plant for transformation of input energy sources, into thermal energy with a total installed power greater than 2 MW, unless it is prescribed otherwise by the provisions of this Act,
29. *producer of thermal energy* – a legal or physical person who has received a permit from the Agency to perform the energy industry activity of production of thermal energy, unless it is prescribed otherwise by the provisions of this Act,
30. *distributor* – a device for local division of delivered thermal energy, measured by a joint thermal energy meter at the calculation point,
31. *independent heating system* - a heating system through which in a single building consisting of several independent consumer units, thermal energy is delivered, for calculation of thermal energy,
32. *thermal energy –* energy produced from a production plant for transformation, with the purpose of heating spaces and heating consumer hot water or energy used for technological purposes (hot water, warm water or steam) or for cooling space,
33. *thermal substation* – a group of devices for circulation and regulation of distribution of heat, which is an integral part of the internal installations of the end customer, located within a building,
34. *thermal station* –part of the distribution network serving for transformation, regulation and/or circulation of media for transfer of thermal energy,
35. *heating system –* a technical system consisting of apparatus and equipment for production of thermal energy, internal and external installations or a distribution network and which enables supplies of thermal energy. It may be an independent, closed or a district heating system,
36. *internal installations* - installations from the calculation point to the radiator valve, or the valves of the consumer in an independent consumer unit, including radiators and other heating elements in shared parts of a building,
37. *external installations* –the hot water distribution pipeline, for hot water and/ steam networks linking buildings with one or more boilers in closed heating systems,
38. *shared thermal energy meter* – a device which registers the quantity of thermal energy delivered to the calculation point at the entrance to a building,
39. *joint consumption –* consumption of thermal energy measured by the shared thermal energy meter of the customers, reduced by the total amount of thermal energy consumed, measured by all the separate thermal energy meters,
40. *separate thermal energy meter* – a device which registers the quantity of thermal energy delivered in an independent consumer unit,
41. *closed heating system –* a heating system which includes several industrial and/or housing - commercial buildings, which begins at the place of receipt of input energy sources for production of thermal energy, to the demarcation point with the customer, and includes the thermal energy meter and external installations, which are shorter than 2000 meters, and have less than 500 independent consumer units connected.

**II. THE INTEREST OF THE REPUBLIC OF CROATIA**

**Article 4**

(1) The construction and development of district heating systems and production of thermal energy in cogeneration plants in a highly efficient manner 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 they are of interest in attaining the goals of energy efficiency in the Republic of Croatia.

(3) Use of renewable energy sources as sources of thermal energy is of interest to the Republic of Croatia.

(4) It is in the interest of the Republic of Croatia to promote the development and use of new, innovative and sustainable technology in the energy sector. Through public procurement procedures for goods, services and works, account shall be taken of opening the market to innovative solutions.

**Article 5**

1. Participants in the thermal energy market are obliged to plan and undertake measures for the safe supply of thermal energy, pursuant to the acts from Article 32 of this Act, the prescribed standards of supply of thermal energy and are responsible for the security of supply within the framework of their work.
2. Distributors of thermal energy are obliged, at the request of the unit of local self-government, to submit the following data: on the supply and demand of thermal energy in their area, an estimate of future consumption and available supplies, planning construction of additional capacities and development of the distribution system in the area awarded to them as a concession for the energy industry activity of distribution of thermal energy.
3. Units of local self-government, on the basis of the data from paragraph 2 of this Act, sent by all the distributors in their area, shall analyse and propose measures within their competence, established by the provisions of this Act.
4. Units of local self-government are obliged to promote, plan and approve construction of heating systems and, in line with energy efficiency measures, ensure priority to district heating systems for construction and, when it is purposeful, provide connections for closed heating systems to the district heating system.
5. Units of local self-government are obliged to plan and approve construction of closed or independent heating systems in the areas and facilities where it is not economically viable to build a district heating system.
6. Units of local self-government are obliged to plan the development of heating systems insofar as cogeneration exists in their area or if cogeneration is being developed in their area using renewable energy sources.
7. Units of local self-government, when drawing up spatial planning documents, are obliged to give priority to building and development of distribution networks, which would be used to meet the needs for thermal energy of households, commercial consumers and industry, and obtain consent for this from the Ministry or the state administrative office in the county, or the administrative body of the City of Zagreb competent for energy affairs.
8. Units of local self-government are obliged, in the case of a buyer of thermal energy in difficulties in their area, to choose another buyer of thermal energy, until a new buyer is chosen by the authorized representative of the co-owners, pursuant to Article 11, paragraph 5 of this Act.
9. The Ministry is responsible for monitoring the relationship between supply and demand on the thermal energy market, to draw up an estimate of future consumption and the supplies available of thermal energy, planning construction and development of additional capacities of district heating systems and proposing and undertaking measures if a state of crisis/emergency is declared.
10. The Ministry, on the basis of the annual reports by the units of local self-government, submits a report to the Government of the Republic of Croatia on the situation and the measures that need to be taken to develop district heating systems.

**III. THE PERFORMANCE OF ENERGY INDUSTRY ACTIVITIES**

**Article 6**

(1) Energy industry activities within the meaning of this Act are:

* 1. the production of thermal energy
	2. thermal energy supplies, and
	3. distribution of thermal energy.

(2) The energy industry activities from paragraph 1, points 1 and 2 of this Article are performed as market activities, and the energy industry activity from paragraph 1, point 3 of the Article is performed as a public service.

(3) Legal and physical persons may perform the energy industry activities from paragraph 1 of this Article only on the basis of a Decision permitting them to perform that activity (hereinafter: a permit) pursuant to the law regulating the energy sector, unless this Act prescribes otherwise.

**Article 7**

(1) Energy companies who perform energy industry activities from Article 6, paragraph 1, point 3 of this Act may also perform other energy industry activities.

(2) Energy companies who perform an energy industry activity from paragraph 1 of this Article are obliged, in provision of public services, to ensure:

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

**Article 8**

(1) Energy companies who perform an energy industry activity from Article 6, paragraph 1, points 1 and 2 of this Act on the market, may also perform other energy industry activities.

(2) Performance of an energy industry activity from paragraph 1 of this Article on the thermal energy market shall be undertaken and organized in line with the goals of development of the energy industry and the needs of the end customers in the Republic of Croatia, to ensure safe, reliable and quality supplies of thermal energy, with respect for the principles of market competition and the equal legal position of all participants in the market in relation to:

* 1. realization 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, lives and property of citizens,
	9. measures to protect the thermal energy end customers.

10. other cases 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 production of thermal energy are built and used in line 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 from paragraph 1 of this Article on the basis of proof of ownership or the right of use from a lease contract and other contracts concluded with the owner of the facilities and/or equipment for performing that energy industry activity.

**The Secrecy of Data**

**Article 10**

Producers, distributors, suppliers and buyers of thermal energy, and the Agency, are obliged to ensure the secrecy of business data which they learn from other energy companies or buyers of thermal energy, unless, pursuant to the provisions of this Act or other separate acts and regulations, they are authorized or obliged to publish those data or inform the competent state bodies of them.

**IV. THE ACTIVITY OF BUYER OF THERMAL ENERGY**

**Article 11**

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

(2) Performance of the activity from paragraph 1 of this Article, is undertaken and organized on the thermal energy market in line with the needs of the end customers in the Republic of Croatia to attain safe, reliable and quality delivery of thermal energy, in relation 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, lives and property of citizens,
	7. measures to protect the thermal energy end customers.

8. other cases established by the provisions of this Act.

(3) The authorized representative of the co-owners shall submit the decision on concluding a contract on consumption of thermal energy with the buyer, to the legal or physical person from paragraph 1 of this Article, for performing the activity of buyer, exclusively on the basis of the decision of the majority of votes by co-owners, which is calculated on the basis of co-ownership shares, and not according to the number of co-owners.

(4) If the decision from 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, if there is no dispute about who the co-owners are or the size of their co-owned shares pursuant to the acts governing ownership.

(5) Pursuant to the decision from paragraph 3 or paragraph 4 of this Article, the authorized representative of the co-owners shall conclude a contract on consumption of thermal energy with the legal or physical person from paragraph 1 of this Article, which is deemed to have been concluded with all the end customers in the building.

(6) The decision from paragraphs 3 and 4 of this Article shall be rendered for a period of no less than one year, with the possibility of the extension of the duration of the decision.

(7) If the legal or physical person from paragraph 1 of this Article performs the activity of buyer for several independent heating systems or an energy industry activity from Article 6, paragraph 1 of this Act, or some other activity pursuant to the national classification of occupations, it is obliged to keep separate analytical accounts for each building in line with the separate regulations, pursuant to Article 46, paragraph 3 of this Act.

(8) Each legal or physical person from paragraph 1 of this Article shall be entered into the register of buyers of thermal energy 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 performs its work, the number of buildings in which the buyer of thermal energy performs its activity and other important information. The information on the buyer shall be published on the Agency's web site.

(9) The legal or physical person from paragraph 1 of this Article is obliged to inform the Agency of every change in the data from the register from paragraph 8 of this Article within 8 days of the change of data.

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

(11) The legal or physical person from paragraph 1 of this Article is obliged, in performing its work, to act in accordance with the General Requirements for Supply of Thermal Energy from Article 32, paragraph 3 of this Act.

(12) The Agency shall undertake supervision of the application of the general requirements from 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 installation, and it is managed and maintained by the buyer of thermal energy from Article 11 of this Act.

(2) In an independent heating system the cost of the thermal energy delivered to the end customers is freely established in line with market conditions.

(3) For the buyer of thermal energy who uses gas in an independent heating system as fuel for production of thermal energy, and the thermal energy produced is delivered to households, the provisions on supply are applied as the obligation of a public service, 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 encompass several industrial and/or housing-commercial buildings, which have a district heating system, for which it is not necessary to obtain the concession agreement from Article 21 of this Act.
2. An energy company who has a permit for performing the energy industry activity of supply of thermal energy is obliged to ensure the expert management, handling and maintenance of the closed heating system.
3. Only one supplier may supply thermal energy to buyers of thermal energy in a closed heating system.
4. The supplier from paragraph 2 of this Article of the building within the closed heating system, may also perform the activity of buyer for a building pursuant to Article 11 of this Act.
5. For performing the activity of buyer from paragraph 4 of this Article, the supplier is obliged to keep separate analytical accounts, pursuant to separate regulations, for each building, pursuant to Article 46, paragraph 3 of this Act.

(6) In a closed heating system the cost of the thermal energy delivered to the buyers of thermal energy is freely established in line with market conditions.

**District Heating Systems**

**Article 14**

(1) A district heating system is a heating system which encompasses several buildings, in which the energy industry activity of production and supply of thermal energy may be performed by one or more energy companies, or the distribution of thermal energy is performed by one energy company on the basis of a concession agreement for distribution of thermal energy or a concession agreement for construction of a distribution network from Article 21 of this Act.

(2) The supplier from paragraph 1 of this Article of the buildings within the district heating system, may also perform the activity of buyer for one of the buildings pursuant to Article 11 of this Act.

1. For performing the activity of buyer from paragraph 2 of this Article, the supplier is obliged to keep separate analytical accounts, pursuant to separate regulations, for each building pursuant to Article 46, paragraph 3 of this Act.
2. All producers of thermal energy have the right of access to the district heating system pursuant to the Network Rules for distribution of thermal energy from Article 32 of this Act.

**VI. THE PRODUCTION OF THERMAL ENERGY**

**Article 15**

(1) Producers of thermal energy are legal or physical persons who have obtained from the Agency a permit for performing the energy industry activity of production of thermal energy. For production of thermal energy in heating systems in boilers whose installed production power is greater than 2 MW, it is necessary to obtain a permit from the Agency to perform the energy industry activity of production of thermal energy.

(2) Energy companies who use energy facilities for cogeneration and use waste, biodegradable parts of waste or renewable energy sources to produce thermal energy in an economically appropriate manner, in line with the regulations governing environment protection and waste management, may attain the status of eligible producer of electrical and thermal energy. Legal or physical persons who have attained the status of eligible producers of electrical and thermal energy from cogeneration, pursuant to the act governing the electricity market, are obliged to obtain a permit for production of thermal energy, pursuant to the provisions of this Act.

(3) For the sake of efficient use of fuel in cogeneration plants, and at the same time satisfying the needs of consumers for thermal energy, the planned production of electricity, conditioned at the same time by consumption of thermal energy for heating and/or cooling, has priority in acceptance into the electrical power grid.

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

(5) Up until the fulfilment of the requirement from paragraph 4 of this Article, the producer of thermal energy in a district heating system is obliged to apply the amount of the tariff item for production of thermal energy on the basis of the methodology adopted by the Agency, in line with the provisions of the acts governing the energy sector and the regulation of the energy industry, and publish them in an appropriate manner no less than 15 days before the beginning of their application.

(6) A producer of thermal energy from paragraph 2 of this Article, in a closed or district heating system, is obliged to monitor the costs of production of thermal energy separately from other energy activities, which are related to delivery of electricity or thermal energy, pursuant to the planned quantities necessary for delivery.

(7) The producer of thermal energy in a district heating system is obliged to send the distributor and the supplier of thermal energy information on the quantity of thermal energy delivered at least once a month.

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

(9) Analysis of benefits and costs, pursuant to the provisions of the regulations governing the area of energy efficiency will be undertaken in the following cases, when:

1. a new production plant is planned for production of electricity and thermal energy with a total thermal power greater than 20 MW in order to assess the costs and benefits of ensuring the work of the plant as a highly efficient cogeneration plant;
2. to a significant extent for the sake of reconstruction of an existing production plant for production of electricity and thermal energy with a total thermal power greater than 20 MW, in order to assess the costs and benefits of its transformation into highly efficient cogeneration;
3. an industrial plant is planned or is reconstructed with a total thermal power greater than 20 MW in which waste heat is produced at a useful temperature level, in order to assess the costs and benefits of using waste heat to meet economically justified demand, including by means of cogeneration, and connecting that plant to closed and district heating systems;
4. a new closed or district heating system is planned or if in existing closed and district heating systems a new production plant is planned for production of energy with a total thermal power greater than 20 MW, or if the significant reconstruction of an existing plant of that nature is planned, in order to assess the costs and benefit of using waste heat from neighbouring industrial plants.
5. The erection of equipment to trap carbon dioxide, produced in plant producing thermal energy, for the sake of geological storage, pursuant to regulations governing the area of mining and hydrocarbons, is not deemed a significant investment, or reconstruction from paragraph 9, points 2, 3 and 4 of this Article.

(11) For the cases from paragraph 9, points 3 and 4 of this Article, it is necessary to ensure that the analysis of costs and benefits is conducted in cooperation with the distributor of thermal energy or the supplier in a closed heating system which exists in the area of the specific unit of local self-government.

(12) For the creation of the analysis of costs and benefits from paragraph 9 of this Article, the Minister shall adopt regulations. When the analysis of costs and benefits is being undertaken for the purpose of assessing the potential from Article 17 of this Act, it is based on climate conditions, the economic feasibility and technical alignment in the sense of sources and costs, and the most efficient solution for meeting the needs for heating and cooling.

(13) Production plants which are exempt from the provisions of paragraph 9 of this Article are:

* 1. production plants for production of electrical and thermal energy which are used at peak load, and plants for production of electricity reserves for which it is planned that they will work for less than 1500 working hours a year, as the current average over a period of five years, on the basis of a verification procedure by the Agency, which ensures they meet this criterion for exemption;
	2. nuclear power stations;
	3. production plants located close to the site of geological storage, approved in line with regulations governing the field of mining and hydrocarbons.

(14) The Agency will determine by a decision the thresholds, expressed as the amount of available useful waste heat, the demand for thermal energy or the distance between industrial plants and closed or district heating systems, in order to exempt some plants from the provisions of paragraph 9, points 3 and 4 of this Article and the verification procedure from paragraph 13, point 1 of this Article.

(15) The Ministry is obliged to inform the European Commission on the exemptions adopted on the basis of the Agency decision from paragraph 14 of this Article, and of all their subsequent amendments.

**Article 16**

1. Production plants may be built by legal or physical persons, if the production plants they intend to build satisfies the criteria established in the procedure to issue energy consent, pursuant to the act governing the electricity market.
2. The criteria for the procedure of issuing energy consent for building a production plant are public and are founded on the principles of objectivity, transparency, and impartiality in order to achieve:
3. the reliability and safety of the heating system,
4. the competitiveness of the production plant,
5. protection of public health and safety,
6. criteria of environment protection and ensuring permanent control of the effect on the environment,
7. the appropriate use of the land and location,
8. the appropriate use of public land,
9. energy efficiency,
10. the application of specific forms of primary energy,
11. the technical, economic and financial capacity of the applicant,
12. alignment with measures being taken regarding the obligation of public service and protection of the end customers,
13. the contribution of the production capacities in realizing the overall aim of the proportion of energy obtained from renewable energy sources and 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 which comprise the acquis of the European Union and
14. the contribution of the production capacity to the relative reduction of emissions.

(2) In the selection of energy solutions, when deciding on building production plants, construction of production plants with cogeneration on the basis of renewable energy sources and/or which use waste input fuel has priority over other production plants.

(3) In the case of production of thermal energy from renewable energy sources and cogeneration from simple structures, defined by the regulations on spatial planning and construction, for construction and execution of works on such structures, no energy consent is issued.

(4) The Regulations on Technical Requirements for production plants for production of thermal energy are prescribed by the Minister competent for construction.

**The Potential for Efficiency in Heating and Cooling**

**Article 17**

(1) With the aim of making greater use of the national potential of thermal energy for heating and cooling, the Government of the Republic of Croatia will adopt a program for use of potential for efficiency in heating and cooling.

(2) The assessment of national potential for heating and cooling from paragraph 1 of this Article must contain:

1. a description of the possibility of development of thermal energy systems for heating and cooling based on an increase in consumption of energy and/or reconstruction of the existing infrastructure;
2. predictions of how this consumption will change in the coming 10 years, taking especially into account the development of demand in buildings and various industrial sectors;
3. a map of the Republic of Croatia with the areas where, at the same time as guarding commercially sensitive information, the following are established:

- the places of consumption of thermal energy for heating and cooling, including municipalities and cities with levels of development of at least 0.3 and industrial zones with total annual consumption of thermal energy for heating and cooling greater than 20 GWh;.

- the existing and planned infrastructure for district heating and cooling;

- the possible locations of supply of thermal energy for heating and cooling, including plants for production of electrical energy with a total annual production of electricity greater than 20 GWh, plants for incineration of waste and the existing and planned cogeneration plants where technology is used from the regulations governing the area of energy efficiency and plants for closed and district central heating systems;

1. establishment of demand for thermal energy for heating and cooling which may be met by highly efficient cogeneration, including micro-cogeneration in the housing sector, in closed and district heating systems;
2. establishment of the potential for additional high efficiency cogeneration, also by means of conversion of existing and building new production and industrial plants or other facilities that produce waste heat;
3. establishment of potential for increasing the energy efficiency of infrastructure for closed and district heating systems;
4. strategies, policies and measures which may be adopted by 2020 and 2030, aimed at realizing the potential from point 5 of this paragraph, in order to satisfy the demand from point 4 of this paragraph, including, as necessary, proposals for:
	* an increase in the proportion of cogeneration in consumption of thermal energy for heating and cooling, and in the production of electrical energy. This may also include proposals supporting grouping of a certain number of individual plants in the same location, in order to ensure optimal alignment of supply and demand for thermal energy for heating and cooling;
	* development of infrastructure for efficient closed and district heating systems, to make possible the development of high efficiency cogeneration and use of thermal energy for heating and cooling from waste heat and renewable energy sources;
	* promotion of the establishment of new thermal plants for production of electrical energy and industrial plants in which waste heat is produced at locations where the maximum amount of waste heat available will be used, in order to meet the existing or planned demand for heating and cooling;
	* the promotion of establishment of new housing zones or new industrial plants, which use thermal energy in their production processes, at locations where the available waste heat, as established in the comprehensive assessment, may contribute to meeting their demand for heating and cooling. This may also include proposals supporting grouping of a certain number of individual plants in the same location, in order to ensure optimal alignment of supply and demand for thermal energy for heating and cooling;
	* promotion of connecting thermal plants for production of electrical energy, industrial plants which produce waste heat, plants for waste incineration and other plants for production of energy from waste, in closed and district heating systems;
	* promotion of connecting housing zones and industrial plants which use thermal energy in their production processes, to closed and district heating systems;
5. the proportion of highly efficient cogeneration and the established potential and progress achieved in line with the regulations governing the area of energy efficiency;
6. assessment of the expected energy savings;
7. assessment of measures of public support to heating and cooling, if they have been adopted, with an annual budget and establishment of possible elements of support. This does not bring into question the separate notification about programs of public support for assessment of support.

(3) To the extent in which it is appropriate, the comprehensive assessment may consist of a collection of regional or local plans and strategies.

(4) For the needs of the assessment from paragraph 1 of this Article, the analysis of costs and benefits is founded on climatic conditions, economic feasibility and technical alignment in line with the analysis from Article 15, paragraph 9 of this Act. The analysis of costs and benefits helps make it easier to establish, in the sense of sources and costs, the most efficient solutions for meeting the needs for heating and cooling.

**VII. THE DISTRIBUTION OF THERMAL ENERGY**

**Article 18**

(1) Units of local self-government, which in their distribution area have a distribution network for distribution of thermal energy, are obliged to ensure the permanency of the energy industry activity of distribution of thermal energy.

(2) Units of local self-government and energy companies for distribution of thermal energy are obliged to ensure the quality of the performance of the energy industry activity of distribution of thermal energy, on the principles of sustainable development, provide for maintenance of the distribution network in a condition of functional capacity, and ensure the transparency of the work of distributors of thermal energy.

**Article 19**

(1) The right to perform the energy industry activity of distribution of thermal energy is obtained on the basis of a concession agreement for distribution of thermal energy, or a concession agreement for construction of a distribution network and obtaining a permit for performing the energy industry activity of distribution of thermal energy.

(2) A concession for distribution of thermal energy is a concession for public services within the meaning of the law governing the area of concessions, and a concession for the construction of a distribution network is a concession for public works within the meaning of the law governing the area of concessions.

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

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

**Article 20**

(1) Alongside the criteria of specific laws governing the area of concessions, the criteria on which the giver of concessions for distribution of thermal energy shall base the selection of the most economically favourable bid, are in particular:

1. the quality of service and the reliability of delivery of thermal energy prescribed by the General Requirements for Supply of Thermal Energy,
2. the amount of the annual fee offered for the concession based on the ordnance on the level and manner of payment of fees for concessions for distribution of thermal energy and concessions for construction of distribution networks for distribution of thermal energy,
3. the total level of investment, which relates to the development of a distribution network in the area or part of the area of a unit of local self-government, where a distribution network exists,
4. the technical achievements offered on the basis of the technical specifications from the tender documentation,
5. the aesthetic, functional and ecological characteristics of the distribution network being built, or the service of distribution of thermal energy being provided;
6. the planned amount of the tariff items for distribution of thermal energy and the planned amount of the fee for connection to the distribution network and for an increase in the connection capacity, for all the years of the concession period, elaborated per user, according to their structure and with calculations in line with the tariff methodology,
7. economy, which is defined as realization of the planned business goals, with the least possible operational costs,
8. the quality and sustainability of the maintenance plan and management of the distribution network, pursuant to the regulations governing the area of performing the energy industry activity of distribution of thermal energy,
9. the plan and scope of the development of the distribution network,
10. the ability to realize the concession, indicating the long-term sustainability of the bidder during the period of the concession agreement in the foreseen period, which is established by a notarized written statement by the potential concession holder, that they have available sufficient financial resources or a written statement by a credit institution that the potential concession holder will be able to provide sufficient financial resources for construction of the distribution network.

(2) The criteria on which the giver of the concession for construction of the distribution network for distribution of thermal energy bases the choice of the economically more favourable bid are:

1. the quality of works and equipment for construction of the distribution network, which ensures the quality of the service and the reliability of supply of thermal energy prescribed by the network regulations for distribution of thermal energy,
2. the offered annual amount of fee for the concession based on the ordnance on the level and manner of payment of fees for concessions for distribution of thermal energy and concessions for construction of distribution networks,
3. the total level of investment, which relates to the construction of the distribution network,
4. the technical achievements offered on the basis of the technical specifications from the tender documentation,
5. the aesthetic, functional and ecological characteristics of the distribution network being built, or the service of distribution of thermal energy being provided;
6. the planned amount of the tariff items for distribution of thermal energy and the planned amount of fee for connection to the distribution network and for an increase in the connection capacity, for all the years of the concession period, elaborated per user, according to their structure and with calculations in line with the tariff methodology,
7. economy, which is defined as realization of the planned business goals, with the least possible operational costs,
8. the plan for maintenance and management of the distribution network, pursuant to the legal and subordinate regulations relating to performing the energy industry activity of distribution of thermal energy
9. the quality and sustainability of the plan and scope of development of the distribution network which includes a schedule for execution of the works and/or deadlines for completion of work on construction of the distribution network and the date of the beginning of the activity of distribution of thermal energy and
10. the ability to realize the concession, indicating the long-term sustainability of the bidder during the period of the concession agreement in the foreseen period, which is established by a notarized written statement by the potential concession holder, that they have available to sufficient financial resources or a written statement by a credit institution that the potential concession holder will be able to provide sufficient financial resources for construction of the distribution network.

(3) The representative body of the unit of local self-government is obliged, after the public opening of tenders, and before rendering an executive decision on granting the concession, to send all tenders for the concession to the Agency.

(4) The Agency is obliged to send within 15 (fifteen) days from the day of receiving the tenders for the concession its opinion to the unit of local self-government on meeting the criteria from paragraph 1, point 6 and paragraph 2, point 6 of this Article by the bidder for concession, expressed in the tenders for the concession.

(5) The Agency is obliged to send within 15 (fifteen) days from the day of receiving the tenders for the concession a report to the unit of local self-government on the work to day and meeting obligations by the distributor, insofar as that distributor performed the energy industry activity of distribution of thermal energy up until the time of the publication of the call for tenders for being granted the concession.

**The Content of the Concession Agreement**

**Article 21**

(1) Concession agreements regulate the rights and obligations of concession givers and concession holders in line with the provisions of this Act and the acts governing the area of concessions.

(2) The concession agreement from paragraph 1 of this Article must contain:

1. the subject of the concession,
2. the location (area) where the concession work will be performed,
3. the manner and scope of performance of the concession work,
4. an ordnance that the price for performing the energy industry activity of distribution of thermal energy is established pursuant to the provisions of this Act and the laws governing the energy sector,
5. the capacity the distribution network,
6. the number of connected and planned buyers of thermal energy on the distribution system,
7. the period for which the concession is being granted,
8. the time limit for connection to the distribution network,
9. the amount of the fee for the concession or the base for establishing the amount of the fee for the concession, which the concession holder will pay,
10. the manner of payment of the concession fee,
11. the necessary guarantees and/or insurance instruments of payment of the concession fee and compensation for possible damage occurring due to failure to met obligations from the concession agreement,
12. an ordnance on a permit for performing the energy industry activity of distribution of thermal energy,
13. special rights and obligations of the concession holder and the concession giver,
14. the termination of the concession and
15. dispute resolution methods.

(3) The selected bidder, with whom the concession giver intends to conclude a concession agreement for distribution of thermal energy, for the distribution area where a distribution network exists for distribution of thermal energy, is obliged to obtain a permit for performing the energy industry activity of distribution of thermal energy from Article 6, paragraph 3 of this Act, before concluding the concession agreement.

(4) The concession holder is obliged to obtain the permit for performance of the energy industry activity of distribution of thermal energy from paragraph 3 of this Article and a concession agreement for construction of the distribution network, for a distribution network where there is no distribution network, before beginning to perform the energy industry activity of distribution of thermal energy.

**Unilateral Termination of the Concession Agreement**

**Article 22**

Apart from cases of unilateral termination of the concession agreement prescribed by the law governing the area of concessions, the concession giver may unilaterally terminate the concession agreement in the following cases:

1. if the concession holder has its permit for performing the energy industry activity of distribution of thermal energy permanently revoked before the expiration of its validity,
2. if the concession holder fails to obtain a new permit for performance of the energy industry activity of distribution of thermal energy after the end of the validity of the permit issued,
3. if the concession holder transfers the permit for performance of the energy industry activity of distribution of thermal energy to another legal entity,
4. of the concession holder's permit for performance of the energy industry activity of distribution of thermal energy becomes invalid, at its request.

**Concession Fees**

**Article 23**

(1) The concession holder is obliged to pay the fee for the concession in the amount and manner established in the concession agreement.

(2) The concession fee is defined as a variable sum from the income of the concession holder realized by performance of the energy industry activity of distribution of thermal energy in the previous year in the distribution area given in concession.

(3) As an exception to paragraph 2 of this Article, for a concession holder who did not perform the energy industry activity of distribution of thermal energy in the previous year in the distribution area for which the concession was given, the concession fee is established as a variable sum from the planned income, according to the bid which is an integral part of the concession agreement, for the year in which it begins to perform the energy industry activity of distribution of thermal energy.

(4) The Government of the Republic of Croatia, at the proposal of the Ministry, which has previously obtained the opinion of the Agency, by an ordnance on the amount and manner of payment of the concession fee for distribution of thermal energy and the concession for construction of energy facilities for distribution of thermal energy, shall establish a minimum initial sum and the manner of payment of the concession fee.

(5) The concession fee is income to the budget of the unit of local self-government.

**The Time Period for which Concessions are Granted,**

**Article 24**

Concessions for distribution of thermal energy and concessions for construction of energy facilities for distribution of thermal energy are granted for a period of no less than 20 years and no more than 30 years.

**Article 25**

(1) The distributor of thermal energy shall perform the energy industry activity from Article 6, paragraph 1, point 3 of this Act using its own distribution network for distribution of thermal energy or a distribution network it uses pursuant to a contract concluded with its owner.

(2) The content and level of service which the energy company is obliged to provide in the performance of the energy industry activity from paragraph 1 of this Article must not depend on the manner of use of the distribution network for distribution of thermal energy, from paragraph 1 of this Article.

**Article 26**

The distributor of thermal energy is responsible for:

1. the development, construction, administration, supervision, operational management and maintenance of the distribution network,
2. drawing up plans for construction and development of the heating system, aligned with the plans and programs of the unit of local self-government,
3. the functional good order and reliability of the distribution network,
4. harmonization of the activities of the various users of the distribution network,
5. providing access to the distribution network for third persons on a regulated basis,
6. agreeing use of the distribution network according to the plan for the current year, in line with the installed power capacity,
7. giving information on future needs for thermal energy and other information needed by the Agency,
8. marketing the system, customer relations and statistical information about the operation.

**Article 27**

The distributor of thermal energy is obliged to:

1. manage and maintain, build and modernize, improve and develop a safe, reliable and efficient distribution network
2. by applying the best experience gained in practice, in order to attain the security of supply and the availability of the distribution network,
3. connect to the distribution network the buildings of legal and physical persons who meet the requirements from this Act, the network rules for distribution of thermal energy, from Article 32, paragraph 5 of this Act, and which are built on the basis of a construction permit or other appropriate act, on the basis of which a structure may be built,
4. provide users connected to the distribution network with a quality service and reliable supply of thermal energy, prescribed by the Network Rules for distribution of thermal energy from Article 32, paragraph 5 of this Act,
5. provide objective, equal and transparent terms of access to the distribution system, pursuant to this Act and the Network Rules for distribution of thermal energy from Article 32, paragraph 5 of this Act,
6. establish a complaints commission regarding access to the system and use of the system, pursuant to the provisions of the laws governing the area of consumer protection and an independent mechanism for effective resolution of complaints and out of court resolution of disputes,
7. obtain thermal energy for the purpose of managing the system in a transparent and non-discriminatory manner,
8. at the level of the distribution network, provide for measurement of consumption of thermal energy and reading the thermal energy meter, pursuant to the Network Rules for distribution of thermal energy, from Article 32, paragraph 5 of this Act,
9. draw up a plan of development of the distribution network, whereby the planned investments in constructing and reconstructing the distribution network must be technically justified and economically efficient, and provide the appropriate level of security of supplies of thermal energy,
10. by the 30 April of the current year, send the Agency a report on the investments made in construction and reconstruction of the distribution network in the previous year,
11. draw up by 1 March of the current year and send to the Agency the annual report by the distributor for the previous year, which must contain a report on the reliability, safety and efficiency of the distribution network, the quality of the service and the reliability of supply of thermal energy, the technical characteristics of the system, the use of the capacities of the distribution network, maintenance of the system equipment, meeting other obligations and realization of rights from this Act and the safety and efficiency of the distribution network,
12. give information to the users of the distribution network in line with the Network Rules for distribution of thermal energy from Article 32, paragraph 5 of this Act,
13. give information to units of local self-government for drawing up an assessment of future consumption, planning development of additional capacities and development of the distribution network in its area and proposing and undertaking measures within its competence established by the provisions of this Act,
14. give users of the distribution network, whose equipment is connected to the distribution network, the prescribed information on the scope, day and duration of interruptions in the distribution of thermal energy and expected reductions in capacity of the distribution network, pursuant to the Network Rules for distribution of thermal energy from Article 32, paragraph 5 of this Article,
15. ensure protection of the confidentiality of data they learn in the performance of their work,
16. maintain thermal energy meters and collect and process meter data from the calculation point of the users of the distribution network, in line with the provisions of this Act and separate regulations,
17. apply the amount of the tariff items for distribution of thermal energy on the basis of the methodology adopted by the Agency, in line with the provisions of the acts governing the energy sector and the regulation of the energy industry and publish them in an appropriate manner no less than 15 days before the beginning of their application.
18. pay and draw attention to energy efficiency and protection of nature and the environment,
19. keep records of all places where thermal energy is transferred into the distribution network and thermal energy is taken from the distribution network, including records of which supplier individual buyers of thermal energy belong to,
20. send data required by the Agency, periodically, according to the pace, scope and manner defined by the Agency, and especially on:

- technical data on the distribution network

- operational events in the distribution network

- connections to the distribution network

- data related to consumer protection.

**Article 28**

(1) Distributors of thermal energy are obliged to draw up a plan for development of the distribution network from Article 20, paragraph 1, point 9 and paragraph 2, point 8 of this Act, in line with the
Energy Strategy and the Implementation Program and the plans and programs of the units of local self-government in whose area they perform the energy industry activity of distribution of thermal energy.

(2) The plan of development of the distribution network must contain at least the following:

* a plan of investment in construction and reconstruction of the distribution network, including a plan to put into use the hot water pipes, steam pipes and other facilities of the distribution network, in natural and financial indicators,
* an analysis of the justification of the planned investment, including projection of demand and supplies of thermal energy, a projection of the pace of connection of users of the system and sources of financing for the planned investment,

(3) The plan for development of the distribution network is drawn up for a regulation period, with a projection of development of the distribution network for the next regulation period, in line with the methodology from Article 27, point 17 of this Act, and it shall be sent to the Agency with a request for establishment of the amounts of the tariff items for distribution of thermal energy.

(4) The distributor of thermal energy to units of local self-government in whose area it performs the energy industry activity of distribution of thermal energy, is obliged to send information on implementation of the development plan of the distribution network, pursuant to:

* the plans and programs of the unit of local and regional self-government adopted on the basis of the
Energy Strategy and the Implementation Programme ,
* the plan of development of the distribution network which is an integral part of the concession agreement.

(5) The unit of local self-government, in whose area the distributor of thermal energy performs the energy industry activity of distribution of thermal energy, is obliged, at the request of the Agency, to send its opinion on the alignment of the plan of development of the distribution network with:

* the plans and programs of the unit of local self-government adopted on the basis of the
Energy Strategy and the Implementation Programme,
* the plan of development of the distribution network which is an integral part of the concession agreement.

**Article 29**

(1) Distributors of thermal energy have the right:

1. to refuse access to the distribution system in the case of insufficient capacity, the technical impossibility of access, lack of economic justification, possible risk to the needs of the existing users of the distribution network, preventing the execution of the obligation of providing a public service, and in other cases, unless it foresaw it in its tender,
2. to buy thermal energy under regulated terms in order to perform their work, the optimal administration of the distribution network, their own consumption, to compensate for loss of thermal energy in the distribution system during work on the system and compensation for operational losses,
3. to establish and provide for the work of their own electronic communications system for supervision, measurement and automation of the distribution network,
4. to limit or interrupt the agreed distribution of thermal energy for a specific time period:
	* in the case of direct danger to the life and health of people or property, in order to remove that danger,
	* for the sake of planned maintenance or reconstruction of the distribution network,
	* in order to resolve faults in the distribution network,
	* when apparatus connected to the distribution network is taking thermal energy in a manner which could endanger the life and health of people or property,
	* in the case of unauthorized consumption and unauthorized distribution of thermal energy,
	* in cases when the supplier or the buyer of thermal energy does not keep to their contract obligations, pursuant to the General Requirements for Supply of Thermal Energy,
	* by order of the supplier of thermal energy, if the technical requirements have been provided for that.

(2) Distributors of thermal energy are obliged, in the case of refusal of access to the system, to send the party a decision with the reasons for refusal of access.

(3) An appeal is permitted against the decision by the distributor of thermal energy from paragraph 2 of this Article, which may be lodged within 15 days of receipt of the decision refusing access to the system or against the requirements for access to the system.

(4) The Agency is obliged to render a decision on the appeal within 60 days. The Agency's decision is final , but a dissatisfied party may institute administrative proceedings against the Agency decision. The proceedings before the administrative court are urgent.

(5) The distributor of thermal energy who refuses access to the system due to lack of capacity or other justified reasons pursuant to this Article, must, within a reasonable time, undertake the necessary alterations and interventions to the system to enable access, insofar as this is economically viable or if the potential user is willing to finance them.

**Article 30**

Users of the distribution network are obliged, at the request of the distributor, to send the distributor information and data for the needs of development of the system, and management and analysis of operational incidents:

1. on the characteristics of consumption/production of thermal energy and other information vital for the work of the distributor,
2. which are needed for realizing access to and use of the distribution network, and the creation of investment plans, collected from existing and potential users of the distribution network,
3. which are needed for monitoring losses in the distribution network, including an assessment of technical losses and thermal energy that has been taken without authorization,
4. which are needed for monitoring the quality and safety of supply of thermal energy in the distribution system.

**Article 31**

(1) A party who is dissatisfied with the work of the distributor of thermal energy may submit a complaint to the Agency whilst the action or failure to take action by the distributor of thermal energy continues.

(2) The complaint from paragraph 1 of this Article may be submitted in relation to refusal of a connection to the distribution network, the conditions of connection to the distribution network, the establishment of the fee for connection and/or the increase in connection power on the distribution network, and the application of methodology to establish the amounts of the tariff items for distribution of thermal energy

(3) The Agency is obliged to undertake measures from its competence and without delay, and no later than within 30 days of the day the complaint is submitted, to inform the dissatisfied party in writing of the measures it has undertaken following the complaint. If the dissatisfied party is not satisfied with the measures taken or is not informed within the prescribed time limit of the measures undertaken, they may institute an administrative dispute. The proceedings before the administrative court are urgent.

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

**Article 32**

(1) The Agency, having obtained the prior opinion of the distributor of thermal energy, and the active suppliers of thermal energy, shall adopt the General Requirements for Supply of Thermal Energy.

(2) The General Requirements from paragraph 1 of this Article must contain:

1. mutual contract relationships between the producers, distributors and suppliers of thermal energy,
2. the obligations and responsibilities of the producers, distributors and suppliers of thermal energy,
3. the conditions of limitation and interruption of supply of thermal energy,
4. the conditions of calculation and payment of thermal energy,
5. the procedure for changing suppliers,
6. measures to protect the end customer,
7. the requirements for quality and safety of supply of thermal energy,

(3) The Agency shall adopt the General Requirements for Delivery of Thermal Energy, which regulate:

1. the mutual contract relationships between the producers, distributors and suppliers of thermal energy,
2. the obligations and responsibilities of the distributors and buyers of thermal energy,
3. the conditions of limitation and interruption of supply of thermal energy,
4. the conditions of calculation and payment of thermal energy,
5. the obligations and responsibilities of the buyer of thermal energy and the end customers,
6. the contract relations between the buyer of thermal energy and the end customers,
7. investment, reconstruction and maintenance of production plants and internal installations,
8. access to thermal energy meters and connection installations,
9. the procedure in the case of unauthorized use of thermal energy,
10. the procedure in the case of technical and other disturbances in the supply of thermal energy, the procedure in the redistribution of thermal energy for the end customer,
11. the procedure for exclusion of an entire building from the heating systems, 12. measures to protect the end customers,
12. the procedure for changing the buyer of thermal energy,
13. the manner of informing the end customers of consumption and costs of thermal energy,
14. the obligation of the buyer of thermal energy to inform the end customer of all changes to the price/fees/tariffs established by the competent bodies and/or energy companies, which are included in the final price of thermal energy,
15. the right of disposal of data on consumption, including the right and the conditions of passing on information to another buyer of thermal energy, without a fee.

(4) The buyer of thermal energy, in the performance of its work, is obliged to apply the General Requirements from paragraph 3 of this Article.

(5) The Agency, having obtained the prior opinion of the distributor of thermal energy, and the active suppliers of thermal energy, shall adopt the Network Rules for Distribution of Thermal Energy, which in particular regulate the following:

1. a description of the distribution network,
2. the development, construction and maintenance of the distribution network,
3. management and supervision of the distribution network,
4. the rights and obligations of the distributor of thermal energy and the users of the distribution network,
5. the conditions for measurement of thermal energy delivered,
6. publication of data and the exchange of information,
7. the quality of service and the safety of the supply of thermal energy,
8. measures to protect the users of the distribution network,
9. unauthorized use of thermal energy,
10. compensation for damage.

(6) The distributor of thermal energy, in the performance of its work, is obliged to apply the Network Rules from paragraph 5 of this Article.

**Installation of Devices**

**Article 33**

(1) The owners of independent consumption units, in a building built before this Act comes into force, are obliged, for the sake of more rational consumption of energy, to install a device for regulation of heat and a device for the local distribution of the thermal energy supplied (a distributor), or a meter for measuring consumption of thermal energy.

(2) The Minister shall adopt a Book of Rules regulating the installation of the devices from paragraph 1 of this Article and the models of distribution and calculation of thermal energy, the manner of distribution and calculation of costs for the thermal energy delivered in heating systems.

(3) The work to install the devices from paragraph 1 of this Article may be undertaken exclusively by a contractor who meets the requirements for performing those activities according to separate regulations.

(4) If devices for measuring consumption of thermal energy from paragraph 1 of this Article are installed, then the difference in the data on consumption of thermal energy measured by the joint thermal energy meter and the data on consumption of thermal energy measured by the devices for measuring consumption of thermal energy in all the independent consumption units, shall be divided between all the individual consumption units, pursuant to the decision of the majority of votes of the co-owners of the independent consumption units, which are calculated according to co-owned parts and not the number of co-owners.

(5) In all buildings the procedure shall be applied of calculation of thermal energy from paragraph 4 of this Article insofar as a difference exists between the consumption between the shared meter of thermal energy and the consumption of thermal energy measured on the devices for measuring consumption of thermal energy in all independent consumption units.

**Article 34**

(1) For the energy industry activity from Article 6, paragraph 1 point 3 of this Act, the Agency shall establish the amount of the tariff items for distribution of thermal energy on the basis of tariff methodology, in line with the provisions of the laws regulating the energy sector and the regulation of the energy industry.

(2) Establishment of the fee for connection to the distribution network of new and an increase in connection capacities of existing energy companies and buyers of thermal energy is prescribed by the methodology for establishing the fee for connection to the distribution network and increasing the connection power adopted by the Agency, in line with the provisions of the laws regulating the energy sector and regulation of the energy industry.

(3) The Agency is obliged to publish the methodology, fees and amounts of tariff items from paragraphs 1 and 2 of this Article on its web site no less than 15 days before the beginning of their application.

(4) The amount of tariff items for the energy industry activity from paragraph 1 of this Article depends on the justified costs of performing that activity in a specific distribution area.

(5) For the energy industry activity from Article 6, paragraph 1, point 2 of this Act, the price is freely agreed.

(6) The price of services in the energy industry from paragraph 5 of this Article, may be established by energy companies universally on the level of the energy company for all buyers of thermal energy or in line with the market conditions for each distribution area separately.

(7) As an exception, the prices of the energy industry service of production of thermal energy are established pursuant to the methodology for establishing the amount of tariff items for production of thermal energy adopted by the Agency, in line with the provisions of the laws regulating the energy sector and the regulations of the energy industry, until the requirements are met for opening the thermal energy market prescribed by the provisions of this Act.

(8) As an exception to the provisions of paragraphs and 7 of this Article, the price of energy industry services from Article 6, paragraph 1 of this Act, mainly for commercial use, are established freely or by agreement.

**VIII. THERMAL ENERGY SUPPLIES**

**Article 35**

(1) Energy companies who perform the energy industry activity of supplying thermal energy may perform that activity on the basis of a permit.

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

**Article 36**

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

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

(3) In the case of technical and other disturbances in the supply of thermal energy whose cause is not to be found in the installations of the end customer, the end customer has the right to have those disturbances resolved, within the shortest possible period of time.

(4) The shortest possible period of time in which the energy company or the buyer is obliged to resolve the disturbance in the supply of thermal energy to the end customer is deemed to be the time limit in which the disturbance may be resolved, in line with the standards for performing the appropriate works, and no longer than 24 hours from receipt of the notification of the disturbance except in exceptional circumstances when it is objectively impossible to do so within that time.

(5) Disturbances in the supply of thermal energy from paragraph 3 of this Article are deemed to be interruptions which are the result of the application of measures of limitation of supply taken in the case of a disturbance on the thermal energy market.

(6) The buyer of thermal energy is obliged to use thermal energy under the terms, in the manner and for the purpose established by the provisions of this Act, the act regulating the energy sector, pursuant to act from Article 32 of this Act and other regulations.

(7) It is prohibited to use thermal energy in contravention of the requirements established in the General Requirements of Supply of Thermal Energy in the sense of reliable and accurate measurement of thermal energy used from Article 32, paragraph 2 of this Act.

(8) When the distributor of thermal energy establishes that a buyer of thermal energy is using thermal energy in an unauthorized manner, he is obliged to exclude that buyer without delay from the distribution network and file a complaint with the competent body.

(9) A buyer of thermal energy and the end customer are obliged to enable the authorized persons of the competent energy companies to have access to the thermal energy meters and the internal installations, and the connection sites for the sake of:

1. reading the meter, inspection, resolution of faults, replacement and maintenance of equipment and removal of meters outside the building or to the boundary of property or
2. to stop supplies of thermal energy in cases of unauthorized use of thermal energy, or failure to pay the outstanding debt for thermal energy supplied within the established deadlines and conditions.
3. For the supplier who in a closed or district heating system uses gas as the input fuel for production of thermal energy, the provisions are applied of supplies as a public service obligation, pursuant to the provisions of the act governing the gas sector.

**Article 37**

1. The rights and obligation of suppliers of thermal energy and buyers of thermal energy are regulated by a buyer supply contract.
2. The conclusion and content of the buyer supply contract are regulated in more detail by the General Requirements for Supply of Thermal Energy, pursuant to the provisions of this Act and the act regulating the area of energy.
3. Every supplier is obliged to ensure that the terms of the buyer supply contract they are offering are aligned with the General Requirements for Supply of Thermal Energy. The terms of the contract must be written in clear and comprehensible vocabulary. Every supplier must ensure that the buyers are protected from dishonest and deceptive sales methods.
4. Every supplier is obliged to draw up and publicize in an appropriate manner the standard terms for conclusion of a buyer supply contract with terms established in advance. Every supplier is obliged to publicize in an appropriate manner the fees and prices of services.
5. Every supplier is obliged to conclude a buyer supply contract in writing. The buyer supply contract must contain at least:
6. the identity and address of the supplier,
7. the services provided by the supplier, including the time of beginning and the quality of supplies,
8. the type of maintenance services offered,
9. the manner of obtaining information on the valid prices and fees, including maintenance fees,
10. the duration of the buyer supply contract, the conditions for renewing it and terminating the buyer supply contract or the termination of provision of services,
11. the existence of the right to terminate the contract,
12. the manner of establishing compensation in the case of failure to respect the agree level of service quality.
13. The provisions of the buyer supply contract must be honest and encompass in a clear, simple and unambiguous manner the rights and obligations of the supplier and the buyer, and every supplier must ensure that the buyers are acquainted with the provisions in advance. The supplier must provide the buyers with notification of the terms of the contract before it is concluded. If the contract is concluded through an agent, notification must also be given before conclusion of the contract.
14. The buyer supply contract may not deny or hinder the buyer's right to terminate or cancel the buyer supply contract, due to the use of the right to change suppliers, nor may any additional financial obligations be imposed on that basis.
15. The supplier may conclude contracts on supply to a buyer which may agree to supply under special sales terms, but in that case he is obliged to act in a manner whereby the sales terms or prices offered do not undermine the market competition or the equal position of buyers of thermal energy on the thermal energy market.
16. The supplier is obliged to perform that energy industry activity pursuant to the general acts from Article 32 of this Act.

**Article 38**

1. Pursuant to the buyer supply contract, every supplier may request the distributor of thermal energy to halt supplies to a buyer due to failure to meet obligations by the buyer from the thermal energy buyer supply contract. During the time when supplies are interrupted, the buyer of thermal energy has obligations relating to access to the distribution network
2. If the buyer of thermal energy does not meet the obligations established by the thermal energy buyer supply contract, that is by paying the outstanding financial debt for thermal energy delivered, every supplier is obliged to previously warn the buyer in writing and free of charge, that in a period of no less than 15 days from the day of delivery of the warning, he must settle the outstanding financial debts, or reach an agreement on settlement of debts.
3. If the buyer of thermal energy does not settle his debts within the deadline from paragraph 2 of this Article, every supplier may request in writing the interruption of delivery of thermal energy.
4. If the buyer of thermal energy has settled all his outstanding debts to the supplier, the supplier is obliged to take measures within 24 hours to re-establish the supply to that buyer and to submit without delay a request to the distributor of thermal energy to re-establish supplies of thermal energy. The distributor of thermal energy is obliged to meet a request related to the above by the supplier without delay.
5. The distributor of thermal energy is obliged to re-establish supply to the buyer within 24 hours if it is established that there were no grounds to interrupt the supply of thermal energy to the buyer.
6. The distributor of thermal energy may interrupt the supply of thermal energy to the buyer due to the failure to meet obligations, related to access to the distribution network from paragraph 1 of this Article, or due to failure to pay the fee for use of the distribution network, and in other separate cases.
7. The more detailed terms and procedure for interruption of supply of thermal energy and the rights of distributors of thermal energy, suppliers and buyers are regulated by the general acts from Article 32 of this Act.

**Article 39**

(1) A producer of thermal energy may conclude a thermal energy sales contract directly with a buyer of thermal energy or a supplier of thermal energy.

(2) The contract from paragraph 1 of this Article may be concluded after the producer of thermal energy, or the buyer of thermal energy or the supplier of thermal energy has previously obtained the consent of the distributor of thermal energy.

(3) The producer of thermal energy, or the buyer of thermal energy or the supplier of thermal energy who is denied consent from paragraph 2 of this Article may lodge an appeal with the Agency. The decision by the Agency is final.

**Article 40**

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

(2) The supplier of thermal energy is responsible for ensuring sufficient quantities of thermal energy for the needs of the buyer of thermal energy, or the end customers, and for the regular performance of the energy industry activity of supply of thermal energy.

**Operational Reserves**

**Article 41**

Suppliers of input fuel supplying producers of thermal energy, or buyers of thermal energy through a boiler, must have operational reserves of input fuel which are able to meet the need of at least one month's consumption of that fuel.

**Article 42**

(1) Buildings built without building permits or other appropriate acts on the basis of which buildings may be built, may not be connected to the distribution network.

(2) The provisions of paragraph 1 of this Article do not relate to buildings built without a building permit but for which, pursuant to the provisions of separate regulations, it is deemed that they were built on the basis of a building permit.

**The Demarcation Point of Activities**

**Article 43**

(1) The demarcation point between the producer of thermal energy and the distributor of thermal energy is the calculation point when thermal energy is received.

(2) The demarcation point between the distributor of thermal energy and the supplier and/or buyer of thermal energy is the calculation point for sales of thermal energy, equipped with a joint thermal energy meter.

**Internal Installations**

**Article 44**

(1) The service of administration and maintenance of the internal installations in a building, up to the entrance to the independent consumer unit of the end customer, is to be performed by the buyer of thermal energy.

(2) The buyer of thermal energy is obliged to allow the distributor of thermal energy or the supplier of thermal energy to have access to the internal installations and to inform him in good time of any disturbances in reception of supplies of thermal energy.

(3) If the buyer of thermal energy undertakes alterations to the internal installations, he must inform the distributor and the supplier of thermal energy of this. When making alterations to the internal installations, the buyer is obliged especially to hold to the provisions of the general requirements for supply of thermal energy from Article 32, paragraph 3 of this Act.

(4) Apart from the persons from paragraph 1 of this Article, the service of administration and maintenance of the internal installations in the heating system may also be performed by another legal entity if the buyer of thermal energy concludes a contract with that legal entity.

**Disconnection from the Heating System**

**Article 45**

1. As an exception to the provisions of the Articles of this Act, the end customer, at the joint thermal energy meter, may disconnect from the joint heating system, whilst meeting the following conditions:
2. obtaining written consent for disconnection from the heating system on the basis of a decision of the majority vote of the co-owners, calculated on the basis of the co-ownership parts, and not the number of co-owners in a building,
3. after obtaining consent from point 1 of this paragraph, the authorized representative of the co-owners is obliged to validate and send the written consent for disconnection from the joint heating system to the buyer,
4. the works for disconnecting the independent consumer unit of the end customer from the joint heating system are deemed to be simple works, which may be undertaken without a location permit and act, given to approve construction, in line with the main design project, drawn up by an authorized engineer,
5. the works for disconnection of an independent consumer unit from the joint heating system may be undertaken by a contractor who meets the requirements for performing that work according to a separate act,
6. after undertaking the work for disconnection of an independent consumer unit from the joint heating system, the contractor is obliged to write a report on the work done and make a written statement that the work was done in line with the main design project and the rules of the profession for this type of work,
7. on completion of the work for disconnection of an independent consumer unit from the joint heating system and when it has been inspected, the designer of the main design project is obliged to make a statement that the work was done in line with the main design project and the rules of the profession for this type of work,
8. the statements by the contractor and the designer of the main design project shall be kept by the building manager and they are an obligatory part of the notification of the supplier of energy on the disconnection of the independent consumer unit from the joint heating system,
9. after the disconnection procedure has been completed it is necessary to inform the supplier of thermal energy. The reporting and delivery of documentation from point 7 of this paragraph is the obligation of the buyer.

(2) Disconnection of a building from the heating system is possible by the authorized representative of the co-owners filing a request on the basis of the previously obtained consent of all the end customers using the joint thermal energy meter, for disconnection of all independent consumer units within the building and with the previous consent of the distributor and the supplier of thermal energy.

(3) The end customer from paragraph 1 of this Article is obliged to pay all the costs apart from the costs of thermal energy for their independent consumer unit.

**Separation of Accounts**

**Article 46**

(1) Energy companies who perform the activity from Article 6, paragraph 1 of this Act, are obliged to separate the accounts of their activities in order to apply the principle of non-discrimination of users of heating systems, to avoid undermining market competition and the mutual subsidising of energy industry activities performed as a market activity and energy industry activities performed as a public service.

(2) The energy company from paragraph 1 of this Article is obliged to draw up annual financial reports and publish and have them audited. The audit of the annual financial report must establish that the principle has been respected of non-discrimination of users of the heating system and the avoidance of mutual subsidising of energy industry activities in the heating sector performed as a market activity and energy industry activities performed as a public service. The annual financial report must contain data on transactions with related energy companies.

(3) A buyer of thermal energy is obliged to keep analytical accounts for each building separately.

(4) A buyer of thermal energy is obliged to send a written report once a year on his business within a certain building to all the owners of independent consumer units within that building, and also to send the data necessary for managing the register of buyers from Article 11, paragraph 8 of this Act to the Agency. The buyer is obliged to send the report to all the owners of independent consumer units no later than 1 June of the current year for the previous year.

(5) The energy company from paragraph 1 of this Article is obliged to establish rules for distribution of assets, liabilities, income, costs and depreciation pursuant to a decision by the Agency on the manner and procedure for keeping separate accounting records.

(6) The distributor of thermal energy is obliged to keep data in its business records separately relating to the activity of distribution of thermal energy from other energy industry and other activities.

(7) The supplier of thermal energy is obliged to keep data in its business records separately relating to the activity of supplying thermal energy and the activities of the buyer of thermal energy.

**The Right of Access to Business Records**

**Article 47**

(1) An energy company who performs the activity from Article 6, paragraph 1 of this Act and the buyer of thermal energy are obliged to enable the Agency to have access to their business records, which includes the right of the Agency to request all necessary information and delivery of necessary information, direct examination of the business records, accounting documents, financial reports and other documentation of the energy company and the buyer of thermal energy and to undertake other activities necessary for the work within the competence of the Agency.

(2) The Agency shall ensure protection of the confidentiality of data it learns in the performance of its work.

 **IX. SUPERVISION**

**Article 48**

(1) Administrative supervision of the implementation of this Act is conducted by the Ministry.

(2) Inspection supervision of the implementation of this Act is conducted by the State Inspection Service and other inspection services in the areas of their competence, and other state officials, when so ordered by the Minister.

(3) If the competent inspector, whilst undertaking an inspection, establishes that the energy company is not performing the energy industry activity and the end buyer of thermal energy is not using thermal energy in line with the provisions of this Act and regulations adopted on the basis of this Act, apart from the authorities pursuant to general regulations, he shall have authority, by a decision, to:

1. order the resolution of the irregularities and failings established, setting a deadline for their resolution,
2. prohibit the performance of the energy industry activity if no permit has been obtained for individual aspects of that activity pursuant to the provisions of this Act,
3. prohibit the performance of the activity of a buyer of thermal energy if that buyer of thermal energy is not registered in the register from Article 11, paragraph 8 of this Act,
4. prohibit the construction of production plants if the right has not been obtained to build a production plants pursuant to Article 9 of this Act,
5. prohibit work to install devices from Article 33, paragraph 1 of this Act if that work is being done by a contractor who does not meet the requirements for performing that work according to separate regulations,
6. halt the further construction or use of production plants, or halt the supply of energy or use of energy if the equipment for the production plant is not being produced and that plant is not being used, built or maintained pursuant to the approved or authorized documentation according to separate technical or other regulations, and if as a result an immediate threat exists to the stability and safety of the production plant, health and life of people or the safety of traffic or neighbouring buildings.

**X, MINOR OFFENCE PROVISIONS**

**Article 49**

(1) A physical person who is a buyer or a physical person who is an energy company shall be fined a sum from 10,000.00 to 50,000.00 HRK for a minor offence if:

1. he performs an energy industry activity without a permit for 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 from a lease contract or another agreement concluded with the owner of the building and/or equipment for performance of the energy industry activity of production of thermal energy pursuant to Article 9, paragraph 2 of this Act,
3. he does not ensure the secrecy of confidential information which he learns from other energy companies and buyers, pursuant to Article 10 of this Act,
4. he concludes a contract on consumption of thermal energy with a buyer of thermal energy without the existence of a decision from Article 11, paragraph 3, or paragraph 4 of this Act (Article 11, paragraph 5),
5. he does not register in the register of buyers of thermal energy with the Agency pursuant to Article 11, paragraph 8 of this Act,
6. he does not perform his work in line with the General Requirements of Supply of Thermal Energy pursuant to Article 11, paragraph 11 of this Act,
7. he does not ensure the expert management, handling 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 in violation of 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 other energy activities, which are related to supplies of electrical or thermal energy, pursuant to the planned quantities necessary for delivery pursuant to the provisions of Article 15, paragraph 6 of this Act,
10. the production plant which is planned to be built does not meet the criteria, established in the procedure to issue energy approval (Article 16, paragraph 1),
11. he is performing the energy industry activity of distribution of thermal energy, without concluding a concession agreement for distribution of thermal energy or a concession agreement for construction of an energy structure for distribution of thermal energy, or he is performing the energy industry activity of distribution of thermal energy in an area for which a concession agreement has been concluded with another energy company (Article 19, paragraph 1),
12. the distributor of thermal energy does not meet his obligations from 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 development of the heating network in line with the Energy Strategy and the Implementation Programme and the plans and programmes of units of local self-government in whose territory they perform the energy industry activity of distribution of thermal energy pursuant to Article 28, paragraph 1 of this Act,
16. the plan of development of the distribution network does not contain the minimal elements from Article 28, paragraph 2 of this Act,
17. he does not submit information on the implementation of the development plan of the distribution network to the units of local self-government pursuant to the plans and programs of units of local and regional self-government adopted and the development plan of the distribution network (Article 28, paragraph 4),
18. he refuses access to the distribution network for no reason in violation of Article 29, paragraph 1, point 1 of this Act,
19. he does not submit a decision to the party on the reasons for refusing access pursuant to Article 29, paragraph 2 of this Act,
20. he does not act in accordance with the General Requirements for Supply of Thermal Energy, the General Requirements for Delivery of Thermal Energy and the Network Rules for Distribution of Thermal Energy from 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 contravention of the requirements established in the General Requirements of Supply of Thermal Energy in the sense of reliable and accurate measurement of thermal energy used pursuant to Article 36, paragraph 7 of this Act.
23. he does not allow authorized persons access to measuring devices and internal installations, nor to the site of connection to read the meter, for inspection, resolution of faults, replacement and maintenance of equipment and removal of meters outside the building or to the boundary of property or
to stop supplies of thermal energy in cases of unauthorized use of thermal energy, or failure to pay the outstanding debt for thermal energy supplied, within the established deadlines and conditions (Article 36, paragraph 9),
24. he does not ensure that the terms of the buyer supply contract he is offering are aligned with the general acts from Article 32 of this Act (Article 37, paragraph 3) ,
25. he is performing the energy industry activity of supply of thermal energy without an Agency permit, in violation of the provisions of Article 35, paragraph 1 of this Act,
26. he does not draw up and publicize in an appropriate manner the standard terms for conclusion of a thermal energy buyer supply contract with terms established in advance pursuant to Article 37, paragraph 4 of this Act.
27. he concludes a thermal energy supply contract with a buyer which does not contain the minimal elements from Article 37, paragraph 5 of this Act,
28. he does not take measures within 24 hours to re-establish the supply of thermal energy to the buyer who has settled all his outstanding debts, or does not submit without delay a request to the distributor of thermal energy to re-establish supplies of thermal energy, pursuant to Article 38, paragraph 4 of this Act.
29. he does not re-establish the supply to the buyer within 24 hours if it is established that there were no grounds to interrupt the supply of thermal energy to the buyer, pursuant to Article 38, paragraph 5 of this Act,
30. he concludes a thermal energy sales contract without obtaining the previous consent of the
distributor of thermal energy, in violation of the provisions of Article 39, paragraph 2 of this Act,
31. he connects a building built without a building permit or another appropriate act on the basis of which a building may be built, to the distribution network, in violation of the provisions of Article 42, paragraph 1 of this Act,
32. the service of administration and maintenance of the internal installations in a building is not performed by the person from Article 44, paragraph 1 of this Act,
33. he undertakes alterations to the internal installations without previously informing the distributor and the supplier of thermal energy (Article 44, paragraph 3),
34. for an energy industry activity which is performed as a public service the amounts of the tariff items are not applied on the basis of the tariff methodology pursuant to Article 15, paragraph 5, Article 27, point 17 and Article 34 of this Act,
35. he refuses access to his business records pursuant to Article 47 of this Act,
36. he does not act on the decision by the competent inspector pursuant to Article 48, paragraph 3 of this Act,
37. he does not align his operations or does not organize the performance of his operations within the prescribed time limit, pursuant to Article 53, paragraphs 2, 3 and 9 of this Act,
38. he does not render a decision within the prescribed time limit, pursuant to Article 53, paragraphs 4 and 10 of this Act,
39. he does not conclude a contract within the prescribed time limit, pursuant to Article 53, paragraphs 5, 8 and 11 of this Act,
40. he does not submit data within the prescribed time limit, 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 company shall be fined between 20,000.00 and 500,000.00 HRK for a minor offence from paragraph 1 of this Article.

(3) The responsible person of the physical or legal person and in the energy company shall be fined from 300.00 to 50,000.00 HRK for a minor offence from paragraph 1 of this Article.

(4) Alongside the fine for a minor offence, the energy company or the buyer of thermal energy, who commits two or more minor offences from paragraph 1 of this Article or who in the period of one year repeats twice or more times the minor offence from paragraph 1 of this Article, shall have protective measure imposed of the prohibition of performance of the energy industry activity or activities, for one year, and the responsible person of the energy company, or the buyer of thermal energy, may have the protective measure imposed of the prohibition of performance of the same activities for one year.

**Article 50**

(1) A physical person who is an end customer shall be penalized by a fine of 10,000.00 to 50,000.00 HRK for a minor offence if they make alterations to the internal installations, at the joint thermal energy meter, if they do not have the consent of the buyer.

(2) A physical person who is an end customer shall be penalized by a fine of 10,000.00 to 50,000.00 HRK for a minor offence if they do not install devices for regulation of thermal emissions and devices for local distribution of heat supplied (a distributor) or a device for measuring consumption of thermal energy in their independent consumer unit, pursuant to Article 33 of this Act, or they do not install them within the prescribed time limit pursuant to Article 52 of this Act.

(3) A physical person who is an end customer shall be penalized by a fine of 20,000.00 to 50,000.00 HRK for a minor offence if they disconnect themselves from the joint heating system, at the joint thermal energy meter, if they have not met the requirements from Article 45, paragraph 1 of this Act.

(4) A legal person who is an end customer shall be fined between 20,000.00 and 500,000.00 HRK for a minor offence from paragraphs 1, 2 and 3 of this Article.

(5) A physical person who is a buyer of thermal energy shall be penalized with a fine of 10,000.00 to 50,000.00 HRK if he disconnects a building from the heating system, at the joint thermal energy meter, without the previous consent of all end customers in the building, or without obtaining the previous consent of the distributor and supplier of thermal energy in that heating system.

(6) A legal person who is the end buyer of thermal energy shall be fined between 20,000.00 and 500,000.00 HRK for a minor offence from paragraph 5 of this Article.

(7) A physical person who is the end buyer shall be fined a sum from 5,000.00 to 50,000.00 HRK for a minor offence he does not pay the costs pursuant to Article 45, paragraph 3 of this Act.

(8) A legal person who is the end customer shall be fined from 10,000.00 to 100,000.00 HRK for a minor offence from paragraph 7 of this Article.

**XI. TRANSITIONAL AND CONCLUDING PROVISIONS**

**Article 51**

(1) Energy companies who, on the day this Act comes into force, are performing the energy industry activity of distribution of thermal energy shall continue to perform the energy industry activity of distribution of thermal energy and the energy industry activity of supply of thermal energy to the tariff buyer until a concession agreement is concluded or a contract on performing the energy industry activity, but for no longer than one year from the day this Act comes into force.

(2) If the energy industry activity from paragraph 1 of this Article is being performed on the day this Act comes into force on the basis of a concession, the concession holder shall continue to perform that activity until the concession expires and pursuant to the terms from the concession agreement.

**Article 52**

(1) Connection to the distribution network for distribution of thermal energy to a building built after this Act comes into force, shall be undertaken in that each independent consumer unit has a separate thermal energy meter for each independent consumer unit and a separate water meter for measuring consumption of hot water and a water meter for measuring consumption of cold water.

(2) All owners of independent consumer units within a building built before the day when this Act comes into force which have more than 70 (seventy) independent consumer units, which are connected to the heating system, are obliged to install the devices from 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 built before the day when this Act comes into force which have 2 (two) or more independent consumer units, which are connected to the heating system, are obliged to install the devices from Article 33, paragraph 1 of this Act by 31 December 2016, in each independent consumer unit.

(4) In a building, devices may only be installed produced by a single manufacturer of measuring devices, who is chosen freely by the owners of the independent consumer units in the building, to make possible a unified system of reading and payment of thermal energy supplied.

**Article 53**

1. Units of local self-government are obliged in their area, in the case of a buyer of thermal energy in difficulties, to appoint the largest supplier of thermal energy as the buyer of thermal energy pursuant to Article 5, paragraph 8 of this Act, by 1 November 2015.
2. Energy companies who perform the energy industry activity from Article 6, paragraph 1 of this Act are obliged to align their operations with the provisions of this Act by 1 October 2013.
3. A legal or physical person who performs activities from Article 3, paragraph 2, point 6 of this Act is obliged to organize the performance of those activities pursuant to the provisions of Article 11 of this Act by 1 November 2013.
4. Co-owners of independent consumer units are obliged to render the decision from Article 11, paragraph 3 of this Act by 1 February 2014 for they 2014/2015 heating season.
5. The authorized representatives of the co-owners and economic entities which are registered for performing the activities from Article 3, paragraph 2, point 6 of this Act shall conclude a contract on consumption of thermal energy with the buyer of thermal energy by 1 June 2014.
6. The legal or physical person from Article 3, paragraph 2, point 16 of this Act is obliged to send data for the first time from Article 11, paragraph 10 of this Article to the Agency by 1 March 2014 for 2014.
7. The producer of thermal energy is obliged to send data for the first time on the level of costs of production of thermal energy from Article 15, paragraph 8 of this Act to the Agency by 1 March 2015, for 2014.
8. Units of local self-government and distributors of thermal energy are obliged to align their concession agreements with the provisions of this Act by 1 November 2014.
9. Energy companies and buyers of thermal energy shall align their operations with the General Requirements for Supply of Thermal Energy, the General Requirements for Delivery of Thermal Energy and the Network Rules for Distribution of Thermal Energy from Article 32 of this Act by 15 September 2014.
10. Owners of independent consumer units are obliged to render the decision from Article 33, paragraph 4, or paragraph 5 of this Act by 15 September 2014.

1. Buyers of thermal energy and suppliers of thermal energy are obliged to conclude a thermal energy supply contract for the first time pursuant to the provisions of this Act by 1 September 2014, for the 2014/2015 heating season.
2. At the time when the act comes into force, for heating substations in district heating systems, for external installations and boilers in closed heating systems, and production plants in independent heatings systems, the fee for use of property will be evaluated as the amount of the un-depreciated value of assets and the reasonable yield from them. These assets which are older than 20 years, or external installations which are older than 30 years, shall become the property of the end buyer, unless it is prescribed otherwise.

**Article 54**

(1) The representative bodies or other authorized bodies of units of units of local self-government, are obliged to align their acts with this Act within one year from the day this Act comes into force.

(2) The acts of representative bodies or other authorized bodies of units of local self-government which are not aligned with the provisions of this Act shall cease to be valid on the day the time limit expires from paragraph 1 of this Article.

**Article 55**

(1) The Government of the Republic of Croatia shall adopt the regulation from Article 23, paragraph 4 of this Act within twelve months from the day this Act comes into force.

(2) The Government of the Republic of Croatian shall adopt a program for use of the potential for efficiency in heating and cooling from Article 17, paragraph 1 of this Act by 1 July 2015, for the period from 2016 to 2030.

(3) The Minister shall adopt the regulations from Article 15, paragraph 12, Article 16, paragraph 4 and Article 33, paragraph 2 of this Act within 6 months of the day of adoption of the acts from paragraph 5 of this Article.

(4) The Ministry shall inform the European Commission of exceptions from Article 15, paragraph 14 of this Act by 31 December 2013.

(5) The Agency shall adopt the acts from 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 of the day this Act comes into force.

(6) The Agency shall adopt the act from Article 15, paragraph 14 of this Act no later than 31 October 2013.

(7) If plants or heating systems from Article 15, paragraph 9 of this Act are planned or reconstructed after 5 June 2014, it is necessary to undertake an analysis of costs and benefits pursuant to Article 15, paragraph 12 of this Act.

(8) Up to the day the regulations from paragraphs 1 and 3 of this Article come into force, or the acts from paragraph 5 of this Article, the regulations and acts which are in force on the day this Act comes into force shall be applied, if they are not in opposition to the provisions of this Act.

**Article 56**

Proceedings which began before this Act comes into force shall be concluded with the application of the provisions of the Act on Production, Distribution and Supply of Thermal Energy (Official Gazette, 42/05 and 20/10).

**Article 57**

The day this Act comes into force the Act on the Production, Distribution and Supply of Thermal Energy shall no longer be in force (Official Gazette: 42/05 and 20/10).

**Article 58**

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