

Croatia: Electricity - Market and Regulatory Framework

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The regulatory framework for the Croatia's electricity market is the Energy Act of 2012 and the Electricity Market Act of 2013, adopted as part of the final preparations for EU membership. Considering that Croatia has been an EU Member State since July 2013, the national electricity market is fully compliant with EU directives.

The bodies responsible for the energy sector are: the Government, which introduces policies and the strategy; Ministry of Environment and Energy, in charge of drafting Croatia's energy policy; Croatian Energy Regulatory Agency (HERA), an independent institution in charge of regulating energy activities; and the Hydrocarbon Agency (AZU), the government agency responsible for regulating and overseeing hydrocarbon exploration and production in Croatia.

Croatia has adopted the ITO market unbundling model, whereby the Croatian TSO is separate from the Croatian Electric Power Company (HEP Group) and owns the transmission network. The Croatian TSO participates in the Regional Initiative for the Coordination of Security of the Energy Community and the Office for Coordinated Auctions in Southeast Europe and the Compensation Mechanism of the ITC Agreement.

The most recent activities were aimed at merging with the European electricity market and transitioning from bilateral trade to wholesale, while the Croatian Electricity Exchange, CROPEX, has also become operational.

The Croatian electricity market operator (HROTE), which maintains a register of certificates of origin, became a member of the Association of Issuing Authorities, which paved the way for international trade in certificates of origin. Several merchants, suppliers and manufacturers have been licensed.

The installed capacity of power plants in Croatia is 4,627 MW, not counting 275 MW of the Krško nuclear power plant in Slovenia, where Croatia has a 50% share. Almost 85% of electricity is generated by the HEP Group, mostly from hydro and thermal power plants.

Due to unfavourable hydrological conditions, generation of hydroelectric power plants in 2017 was 5.4 TWh, which is a lower result compared to 2014, with a 10-year record of 8.4 TWh.

In the past several years, total consumption decreased from 19.6 TWh to 17.5 TWh. Electricity imports account for 25% of total consumption, but according to the Croatian transmission operator, electricity imports will increase to 43% over the next four years.