

Electricity transmission system operator HOPS will become a joint stock company according to new Electricity Market Law that Croatian Ministry of Economy and Sustainable Development has put up for public discussion by May 2.

The value of HOPS' fixed assets in 2019 is estimated at 840 million euros, while the total long-term assets of HEP amounted to 4.5 billion euros. Since the transmission network is essential in the energy transition, HEP's vertical integration is the only one that makes sense in the long run. As part of the restructuring of HEP in accordance with the Third Energy Package, HOPS was organized as a limited liability company and operated independent of HEP, but all its invaluable assets are in HEP's balance sheet (the so-called ITO model).

According to Croatian media, for many years there were fears that losing the transmission network would dramatically reduce the value of the vertically integrated company (HEP), which the unions strongly and successfully opposed. There was significant pressure at the time from the state administration and some stakeholders to single out HOPS as a completely independent company (ISO model), but the joint stock company variant, which is current now, was not mentioned then.

HOPS works well when it comes to cooperation with HEP and other market stakeholders and there is no formal reason for the company to be organized as a joint stock company. HOPS passed the successful certification with the Energy Agency (HERA) in 2018, and the Agency continuously monitors its operations and so far there have been no major objections to independence from the parent company.

The media claim that the company will remain on HEP's balance sheet after the spin-off, but the fact that it is being established as a joint stock company speaks in favor of privatization, which could only be a matter of time. In the past, similar move was taken at oil company INA, when natural gas transmission system operator Plinacro and underground gas storage operator were established, but none of these companies is a joint stock company and are still majority owned by the state.

Total HOPS revenues in 2019 amounted to 227 million euros, while its expenditures amounted to 206 million euros, with investments amounting to 73 million euros in the same year.