

ENERGY LAW

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I GENERAL PROVISIONS

1. Subject Matter

Article 1

The present Law shall regulate the following: energy policy objectives and the method of its implementation, energy market organisation and functioning, conditions for regular and high quality consumer energy supply and for ensuring safe, reliable and efficient energy production, management of energy transmission, transportation and distribution systems and the method of securing the smooth functioning and development of these systems, the conditions for and method of carrying out energy activities, energy efficiency and environmental protection conditions in carrying out energy activities, as well as the monitoring of the implementation of this Law.

An Energy Agency and an Energy Efficiency Agency shall be established under this Law.

2. Energy Activities

Article 2

Within the meaning of this Law, the following shall be deemed to be energy activities:

- 1) Electrical power generation, electrical power transmission, electrical power transmission system operation, electrical power market organisation, electrical power distribution, electrical power distribution system management, trade in electrical power;
- 2) Production of oil derivatives, oil transportation by pipeline, pipeline transportation of oil derivatives, transportation of oil and oil derivatives by other transportation means, oil and oil derivatives storage, trade in oil and oil derivatives;
- 3) Natural gas transportation, natural gas transportation system management, natural gas storage, natural gas storage management, natural gas distribution, natural gas distribution system management, trade in natural gas;
- 4) Heat production, heat distribution, heat distribution system management, tariff consumers heat supply;

3. Terms

Article 3

The terms used herein shall have the following meaning:

- 1) **Oil derivatives** – liquid or gaseous fuels obtained through refining, additional oil processing, i.e. degasification (motor petrol, diesel fuels, all types of fuel oils, jet engine fuels, all types of oil, petroleum coke, liquefied petroleum gas, etc.);
- 2) **Direct power transmission line** – a transmission line connecting a producer to its own plants or an isolated consumer facility, i.e. a producer or supplier to facilities of an eligible consumer;
- 3) **Direct gas pipeline, oil derivatives pipeline, i.e. heat pipeline** – a pipeline connecting a producer to a facility of an isolated consumer of natural gas, liquid fuels, i.e. heat;
- 4) **Distribution** – transmission of energy through the distribution system for the purpose of delivering energy to consumers, except for supply;
- 5) **Energy sources** – natural gas, oil, oil derivatives, renewable and other energy sources;
- 6) **Energy** – electrical power, heat;
- 7) **Energy license** – a permit for the construction of energy facilities;
- 8) **Energy system** – energy facilities interlinked into an integrated technical-technological system;
- 9) **Energy entity** – a legal person, i.e. entrepreneur registered for carrying out one or more energy activities;
- 10) **Delivery** – delivery of energy from the facilities of one energy entity to those of another energy entity or consumer;
- 11) **Eligible consumer** – a consumer meeting the requirements stipulated herein, who buys energy for his own needs and can freely choose his energy supplier;
- 12) **Consumer** – a legal or physical person purchasing energy;
- 13) **License** – a license for carrying out energy activities, as stipulated herein;
- 14) **Renewable energy sources** – energy sources existing in nature, fully or partially renewable, particularly the energy of water courses, wind, non-accumulated solar energy, biomass, geothermal energy, etc.;

- 15) **System operator** – an energy entity managing transmission, transportation or distribution systems, i.e. operating natural gas storage and providing system services;
- 16) **Energy market operator** – an energy entity carrying out energy market organisation and management activities;
- 17) **Pressurised equipment** – gas pipelines, oil pipelines, oil derivatives pipelines, heating pipelines, steam and hot water boilers and other equipment operating under pressure;
- 18) **Energy transmission, i.e. transport** – electrical power transmission of extremely high and high-voltage connected systems to end-consumers or distributors i.e. transport of gas, oil, oil derivatives and heat from producers or other systems, i.e. from terminals to distribution systems or users, except for supply;
- 19) **Connection to the system** - physical connection to the system connecting an energy facility or consumer's facility to the transmission, transportation, i.e. distribution system;
- 20) **Access to the system** - use of the system for the purpose of transmission, i.e. transport, distribution, takeover and delivery of a contracted quantity of energy at the contracted time;
- 21) **Regulated third party access to the system** - non-discriminatory access to the system in accordance with prescribed and publicised conditions;
- 22) **System services** – services required in securing the safe, reliable and stable operation of an energy system;
- 23) **Supply** – energy purchase from and sale to consumers or other energy entities;
- 24) **Energy supply of tariff consumers** – energy purchase and sale for the needs of tariff consumers;
- 25) **Tariff consumer** – a consumer purchasing energy for his own needs under the prescribed tariff system;
- 26) **Transit** - transmission, i.e. transport of energy originating from another country and intended for a third country over the territory of the Republic of Serbia, or transmission, i.e. transport of energy originating from another country and intended for its own needs over the territory of Republic of Serbia;

- 27) **Transport of oil and oil derivatives by other transportation means** - transport of oil, i.e. oil derivatives by all means of transportation except by oil pipeline, i.e. oil derivative pipeline;
- 28) **Trade** – purchase and sale of energy (wholesale, retail and import and export) and mediation and representation on the energy market;
- 29) **Energy market** – organised trade in all types of energy on the territory of the Republic of Serbia.

II ENERGY POLICY AND ENERGY DEVELOPMENT PLANNING

1. Energy Policy

Article 4

The energy policy of the Republic of Serbia shall include measures and activities taken for achieving long-term objectives in the energy sector, and particularly the following:

- 1) Safe, good quality and reliable supply of energy and energy sources;
- 2) Balanced development of energy activities aimed at providing the required quantities of energy and energy sources for meeting the needs of consumers of energy and energy sources;
- 3) Stimulating market competition based on the principles of non-discrimination, transparency and market competition incentives;
- 4) Creating conditions for the safe and reliable operation and functioning of energy systems;
- 5) Ensuring the development of energy infrastructure and the introduction of state-of-the-art technologies;
- 6) Providing conditions for promoting energy efficiency in carrying out energy activities and energy consumption;
- 7) Creating transparent, attractive and stable conditions for investments in the construction, reconstruction and modernisation of energy facilities and systems, as well as conditions for linking them to the energy systems of other countries;
- 8) Creating conditions for stimulating the use of renewable energy sources and combined heat and electrical power generation;
- 9) Promoting environmental protection;

10) Decentralisation in energy sector development programmes planning and implementation.

Energy policy shall be pursued through the implementation of the Energy Sector Development Strategy of the Republic of Serbia, the Implementation Programme for that strategy and the Energy Balance.

2. Energy Sector Development Strategy

Article 5

The Energy Sector Development Strategy of the Republic of Serbia shall define: long-term development objectives of specific energy activities, development priorities, sources and methods of providing the required energy quantities, i.e. energy sources, incentives for financial investments in energy facilities using renewable energy sources, incentives for increasing energy efficiency, conditions and methods for ensuring environmental protection and measures for its implementation, as well as other elements vital for the achievement of energy policy objectives.

The Energy Sector Development Strategy of the Republic of Serbia (hereinafter referred to as the Strategy) shall be adjusted to the Development Strategy of the Republic of Serbia, the Regional Development Strategy of the Republic of Serbia, as well as the Strategy for the Sustainable Use of Natural Resources.

The Strategy shall be adopted by the National Assembly at the proposal of the Government of the Republic of Serbia for a ten-year period, at minimum.

The Government of the Republic of Serbia shall monitor the implementation of the Strategy and, as required, initiate its adjustment to the actual energy and energy sources needs.

The Strategy shall be published in the »Official Gazette of the Republic of Serbia«.

3. Strategy Implementation Programme

Article 6

The Government of the Republic of Serbia shall adopt the Implementation Programme for the Energy Sector Development Strategy of the Republic of Serbia (hereinafter referred to as the Programme) at the proposal of the Ministry in charge of energy sector activities (hereinafter referred to as the Ministry).

The Programme shall define: the conditions, method and time schedule of the Strategy implementation, energy facilities to be constructed, and concessions for the construction of energy facilities taking into consideration the projected consumption of energy and energy sources, energy efficiency, the possibility of using

renewable energy sources, the possibility of using efficient technologies for energy generation and energy sources production, stimulating investments in energy sector, environmental protection measures, as well as other elements vital for the Strategy implementation.

The Programme shall be adopted for a period of six years and updated in accordance with the actual needs for energy and energy sources every other year, at minimum.

The competent body of the Autonomous Province shall propose a part of the Implementation Programme of the Energy Sector Development Strategy relating to its territory in conformity with the Provincial Development Plan, which shall be an integral part of the Implementation Programme of the Energy Sector Development Strategy of the Republic of Serbia.

At the request of the Ministry, the competent body of the Autonomous Province shall submit a proposal of the part of Programme relating to the territory of the Autonomous Province within 30 days as of the date of request.

At the request of the Ministry i.e. the competent body of the Autonomous Province, energy entities, the Energy Agency, the competent ministries, the Autonomous Province bodies and administrations of the local self-government units shall submit data for the drafting of the Programme within 30 days as of the date of its submission.

The request for the data referred to in para. 6 hereof shall include the type of data, period to which they relate, the method of their submission, as well as other elements required for drafting the Programme.

4. Development Plans

Article 7

The Autonomous Province and local self-government units shall adopt Energy Development Plans determining the energy needs within their area, as well as the terms and conditions of providing the necessary energy capacities in line with the Strategy and Programme.

At the request of competent bodies of the Autonomous Province and local self-government unit, energy entities shall submit the data for drafting development plans referred to in para.1 hereof, to the Autonomous Province and local self-government unit within 30 days as of the date of the request.

The request for data referred to in para. 2 hereof shall contain the type of data, period to which they relate, the method of their submission, as well as other elements required for plan preparation.

5. Energy Balance

Article 8

The Energy Balance of the Republic of Serbia (hereinafter referred to as Energy Balance of the Republic) shall define the annual energy, i.e. energy sources needs to be provided for the orderly and continuous supply of consumers, recognising the need for rational consumption of energy and energy sources and sustainable development, sources for the provision of the required energy, i.e. energy sources, supply method for specific types of energy and energy sources, required level of stocks and reserve capacities of energy facilities for the reliable supply of consumers with energy and energy sources.

Article 9

The Energy Balance of the Republic of Serbia for the following year shall be adopted by the Government of the Republic of Serbia, at the proposal of the Ministry, by the end of October of the current year, at the latest.

The competent authority of the Autonomous Province shall propose the part of the Energy Balance of the Republic relating to the Autonomous Province for the following year by the end of September of the current year, at the latest.

The Ministry, i.e. competent authority of the Autonomous Province shall follow the implementation of the Energy Balance and, if required, propose measures for ensuring its implementation to the Government of the Republic of Serbia.

At the request of the Ministry, energy entities, the Energy Agency, the competent ministries, authorities of the Autonomous Province and administrations of the local self-government units shall submit data for the Energy Balance within 30 days as of the date of its submission.

The data request referred to in para. 4 hereof shall include the type of data, the period to which they relate, the method of their submission, as well as other elements required for drafting the Energy Balance.

III ENERGY AGENCY

1. Founding and Legal Status

Article 10

The Energy Agency of the Republic of Serbia (hereinafter referred to as the Agency) shall be established as a regulatory body for promoting and directing energy market development based on the principles of non-discrimination and effective competition, monitoring the implementation of regulations and energy systems operation codes, adjusting the activities of energy entities in ensuring the

regular supply of energy and services to consumers and their protection and equal position, as well as other activities stipulated by this Law.

Article 11

The Agency shall have the status of a legal person with the rights, obligations and responsibilities stipulated by this Law, laws and other regulations regulating the activities of companies, as well as the Articles of Association of the Agency.

The head office of the Agency shall be in Belgrade.

The Agency shall be liable for its obligations with the funds at its disposal.

Article 12

The funds for the establishment and operation of the Agency shall be provided from license fee charges, a part of system accessibility and use tariffs, as well as other income earned in carrying out activities from within its competence, in line with the Law.

The Agency may secure funds from donations, except for donations from energy entities or persons associated therewith.

The receipts referred to in paras 1 and 2 hereof shall be specified in the annual financial plan of the Agency.

Article 13

The Agency shall be an autonomous legal person and shall be functionally independent from any government body, all energy entities and users of their products and services, as well as other legal and physical persons.

The Agency shall be independent in undertaking organisational and other activities which ensure the performance of its tasks prescribed by the Law.

Article 14

For the purpose of more efficiently carrying out activities from within its competence, the Agency may organise the performance of activities from within its scope of work through organisational units outside its head office.

The Agency Council shall decide on organising activities outside the head office of the Agency in the way and under the conditions specified in its Articles of Association.

2. Agency Activities

Article 15

The Agency shall carry out the following activities:

- 1) adopt tariff systems for pricing electricity and natural gas for tariff consumers, as well as tariff systems for pricing access to and the use of energy transmission, transportation, i.e. distribution systems and natural gas storage facilities and other services;
- 2) specify the methodology for the determination of tariff elements for the calculation of electrical power and natural gas prices for tariff consumers, including the prices of generated electrical power, i.e. natural gas for tariff consumers, as well as the price calculation methodology for heat produced in electrical power and heating plants (combined heat and electrical power generation) and delivered to energy entities for supplying tariff consumers with heat;
- 3) specify the criteria and methods for determining the costs of energy transmission, transportation and distribution system connections;
- 4) issue licenses for conducting energy activities and adopt a decision on license revocation, under the conditions stipulated herein, except for activities of distribution and production of heat in district heating plants and keep a register of issued and revoked licenses;
- 5) approve grid codes, the energy market code and operation code for natural gas storage systems;
- 6) decide appeals against decisions of a transmission, transport and distribution system operator refusing access, as well as appeals against energy entity decisions refusing access, i.e. failure to adopt a decision on a submitted application for connection to the system, as well as appeals against decisions refusing access to an energy entity for natural gas storage;
- 7) determine minimum annual energy consumption for acquiring eligible consumer status, determine eligibility for granting the status of an eligible consumer and keep a register of eligible consumers.

The Agency shall carry out the activities referred to in para. 1, items 4) and 6) hereof as activities entrusted to it.

Apart from the activities referred to in para. 1 hereof, the Agency shall also perform the following activities: monitor the implementation of tariff systems, collect and process data on energy entities regarding the implementation of energy

activities, monitor the procedure of account separation and consumer protection of energy entities and carry out other activities in conformity with this Law.

Article 16

The Agency shall be authorised to request data and documents from energy entities necessary for carrying out its activities stipulated by this Law. Energy entities shall deliver these data to the Agency within eight days as of the date of the request.

Pursuant to law and other regulations, the Agency shall ensure the secrecy of commercial and other confidential business data, submitted to it for the purpose of carrying out tasks from within its competence.

3. Agency Management

Article 17

The Agency shall be managed by the Agency Council (hereinafter referred to as the Council).

The Council shall consist of the President and four members elected from among prominent experts in the energy sector and other sectors of significance for the activities of the Agency.

Article 18

The National Assembly shall elect the President and members of the Council at the proposal of the Government of the Republic of Serbia.

Only citizens of the Republic of Serbia with a university degree and at least 10 years of work experience on engineering, legal or economic jobs may be elected President and members of the Council.

The President and members of the Council and the Agency employees shall exercise their employment-based rights and duties in line with labour legislation.

Article 19

The term of office of the President and members of the Council shall be five years, with the possibility of re-election for another five-year term of office.

The first term of office of two Council members shall be three years, of the other two four years and of the President five years, as specified by a decision of the National Assembly on the Election of the Council President and members.

Article 20

The Council shall adopt its Articles of Association, determine the organisation of work, personnel number and structure, adopt its financial plan, business report and annual financial statement, decide on organising work outside the Agency's head office, adopt recommendations, instructions, guidelines and other Agency general enactments, determine the amount of license fees, decide the issues within the Agency's scope of work referred to in Article 15, para. 1, items 1), 3) and 7) hereof and carry out other tasks stipulated by the Law and the Articles of Association.

The Government of the Republic Serbia shall approve the Agency's Articles of Association and the enactments under Article 15, para. 1, item 1) hereof.

The Council shall bring its decisions by a majority vote of the total number of the Council members.

The President of the Agency shall represent the Agency, manage Council activities, organise Agency work and manage its operations, propose decisions and other enactments adopted by the Agency, have managerial powers in affairs related to exercising personnel rights and obligations and carry out other tasks stipulated by the law and the Articles of Association.

Article 21

The President and the Council members shall answer for the work of the Agency and their own work to the National Assembly of the Republic of Serbia and at least once a year report on the Agency's work.

The Report referred to in para. 1 hereof shall particularly include a report on financial operations verified by an independent auditor and the Financial Plan for the next year.

Article 22

The Financial Plan shall specify the total revenues and expenditures of the Agency, including a contingency fund, as well as elements for determining the wage bill.

The total expenditures of the Agency covered by the Financial Plan, including the contingency fund, shall not exceed the costs required for the successful exercise of Agency competences.

In case the annual accounting of Agency revenues and expenditures shows that total Agency revenues exceed total expenditures incurred, the balance shall be carried forward to the next year's financial plan as revenue, provided however that revenue sources and amounts for the following year are adjusted to the actual Agency expenditures for that year.

The National Assembly shall approve the Financial Plan.

The Financial Plan for the following year shall be submitted to the National Assembly by end October of the current year.

After approval by the National Assembly, the Financial Plan shall be published in the "Official Gazette of the Republic of Serbia".

Article 23

The Agency shall ensure the transparency of its operations and accessibility of information to all interested entities having business and other legal interest, which are not of a confidential nature under the law or the Agency's Articles of Association.

According to a Council decision, the Agency shall publish the enactments referred to in Article 15, para. 1, items 1), 2), 3) and 7) hereof, as well as other enactments in the "Official Gazette of the Republic of Serbia".

Article 24

Delegates to the Assembly of Serbia and Montenegro, the National Assembly, the Assembly of the Autonomous Province, assemblymen to local Assemblies, other elected and appointed persons, as well as political party officials shall not be elected Council President or members.

Owners and co-owners of energy entities, as well as persons whose spouses or children or next of kin, regardless of consanguinity degree, who are owners or co-owners of energy entities may not be elected President or Council members.

Persons validly sentenced to more than six months in prison for abuse of office, corruption, fraud or other crimes rendering them unfit to discharge the functions they have been elected to, may not be elected President and members of the Council.

The President and members of the Council shall not earn income from energy entities.

The President and members of the Council, their respective spouses or children or next of kin, regardless of the consanguinity degree, may not be members of energy entities management.

On the basis of a reasoned proposal of the Government of the Republic of Serbia, the National Assembly may relieve of duty the President or a Council member only in the following cases:

- 1) if he is unable to discharge his duties for over six consecutive months, on account of illness or some other reason;
- 2) if he is validly sentenced to over six months in prison or for abuse of office, fraud, corruption, theft or any other similar criminal offence rendering him unworthy of that office;
- 3) if it is established that in nominating candidates to the Council, the candidate gave false data about himself or failed to provide information on circumstances relevant for his nomination;
- 4) if, without good reason, he refuses or fails to discharge the duty of the President or member of the Council during three consecutive months, at minimum or at least six months with interruptions during a year;
- 5) if it is established that during his term of office he violated the rules on the conflict of interest prescribed by the law.

IV ENERGY MARKET AND ENERGY MARKET COMPETITION

1. Market Operation Principles

Article 25

Activities on the energy market shall be carried out and organised in conformity with energy sector development objectives and consumer needs in the Republic of Serbia with a view to high quality and reliable energy supply, while respecting the principles of competitiveness and the equal legal status of all entities on the market in exercising rights to construct energy facilities i.e. obtain construction permits, system access rights, rights to engage in energy activities, the acquisition of eligible consumer status and in other cases defined under this Law.

2. Energy Permit

Article 26

Energy facilities shall be constructed pursuant to the Law regulating regional planning and construction of facilities, technical and other regulations, with a previously obtained energy permit issued pursuant to this Law.

Article 27

An energy permit shall be obtained for the construction and rehabilitation of the following facilities:

- 1) electrical power generation facilities with an installed capacity exceeding 1 MW;
- 2) oil derivatives manufacturing facilities;

- 3) direct electrical power transmission lines, oil pipelines, oil derivative pipelines, gas pipelines and heating pipelines;
- 4) oil pipelines and oil derivative pipelines, facilities for oil storage and oil derivative reservoirs of over 50 tons capacity;
- 5) natural gas transportation facilities; natural gas storage facilities; natural gas distribution facilities; liquefied natural gas storage facilities;
- 6) heat producing facilities with an installed capacity exceeding 1 MW and for heat distribution facilities;
- 7) electrical power transmission facilities and electrical power distribution facilities of over 35 kV voltage.

The energy permit for the construction of facilities referred to in para. 1, item 7) hereof shall be issued only to an energy entity licensed for electrical power transmission and distribution activities.

Article 28

The energy permit application referred to in Article 27, para. 1, items 1) - 6) hereof may be submitted by domestic or foreign legal or physical persons.

An energy permit can be obtained even before the acquisition of ownership rights, i.e. the right to land use for the planned construction of an energy facility, as well as prior to the issuing of a document on city planning terms and conditions for the construction of an energy facility, i.e. facility construction approval.

Article 29

Energy permits shall be issued by the Minister in charge of energy sector activities (hereinafter referred to as the Minister).

An energy permit can be issued on condition that the type and purpose of the energy facility to be constructed in respect of which the energy permit has been requested, is in line with the Strategy and Programme.

Within the meaning of this Law no energy permit shall be required for energy facilities being constructed on the basis of a concession granted for the construction of an energy facility in a specific area, as well as for the rehabilitation of an existing energy facility.

An energy permit shall be issued to domestic and foreign persons under the same conditions, in the manner and according to the procedure stipulated by this Law and other laws, with full respect of the non-discrimination principle and the application of objective and public criteria.

Local self-government units, towns, i.e. the City of Belgrade shall be vested with the power of issuing energy permits for the construction of the facilities mentioned in Article 27, item 6) hereof, for facilities constructed on their territory.

Article 30

The criteria for issuing energy permits for production capacities construction shall include, in particular:

- 1) safe and smooth energy system operation conditions;
- 2) site specification and land use conditions;
- 3) environmental protection conditions;
- 4) property and human safety and health protection measures;
- 5) energy efficiency level;
- 6) conditions for the use of primary energy sources;
- 7) technical equipment and financial capability conditions for applicants for energy facilities construction;

The Minister shall adopt the more detailed criteria from para. 1 hereof, as well as those for issuing energy permits for other energy facilities for the construction of which energy permits are issued in conformity with this Law.

Article 31

An energy permit for the construction of direct power transmission lines, gas pipelines, oil pipelines, oil derivative pipeline or heat pipelines may be granted to an energy entity which engages in power generation, production of oil derivatives or heat for connecting its facilities to those of eligible consumers, isolated consumers, as well as its own production facilities and other producers facilities for the purpose of supplying them with energy.

The energy permit from para. 1 hereof, can be also issued to an eligible consumer denied access to transmission, transportation or distribution systems on account of technical or other reasons, under the conditions prescribed by the transmission, transportation and distribution system grid codes.

The issuance of an energy permit for the construction of direct power transmission lines, gas pipelines, oil pipelines, oil derivative pipelines or heat pipelines may be denied if their construction would threaten environmental protection objectives or energy supply safety of tariff consumers with their route, place of construction or connection conditions.

Article 32

An application for issuing an energy permit shall particularly include the following data:

- 1) energy facility construction site;
- 2) energy facility construction deadlines;
- 3) energy facility type and capacity and its energy efficiency;
- 4) energy sources to be used in the energy facility;
- 5) method of energy generation and takeover;

- 6) environmental protection method during energy facility construction and operation;
- 7) requirements for the termination of energy facility functioning;
- 8) planned financial funds for energy facility construction and method of securing them.

The Minister shall specify the particulars of energy permit application depending on the type and purpose of the energy facilities, the method of issuing energy permits, as well as the contents of the register of issued energy permits and the register of expired energy permits.

Article 33

The decision on issuing an energy permit shall be brought within 30 days as of the date of the application submission, provided that the requirements stipulated by this Law and regulations adopted in accordance with it, are met.

An appeal against the decision referred to in para. 1 hereof may be lodged with the Government of the Republic of Serbia within eight days as of the date of its receipt or with the Ministry, in the cases stipulated in Article 29, para. 5 hereof, with the Ministry.

An energy permit shall be issued for a period of up to two years as of the date of its issuance.

At the request of the energy permit holder, the Minister or a competent body of a local self-government unit, a town or the City of Belgrade, may extend the energy permit validity for another year, at maximum, provided that the requirements stipulated herein have been met. An application for such an extension shall be submitted 30 days before the energy permit expiry date, at minimum.

3. Public Tender

Article 34

The construction of energy facilities ensuring secure and regular energy supply can also be approved after the completion of a public tender procedure.

At the proposal of the Ministry, the Government of the Republic of Serbia shall invite the public tenders referred to in para. 1 hereof if the planned energy facilities construction schedule, envisaged under the Programme, cannot be secured by issuing energy permits.

The Ministry or local self-government unit shall invite a public tender, in line with the decision of the Government of the Republic of Serbia referred to in para.2 hereof.

Article 35

The provisions of the Law regulating concessions shall apply to the public tender procedure for the construction of energy facilities.

The authority which has invited the public tender shall select the most favourable bidder.

4. System Access and Transit

Article 36

An energy entity operating transmission, transportation or distribution systems, i.e. natural gas storage (hereinafter referred to as "system operator") shall allow access of third parties to the system based on the principles of transparency and non-discrimination, in conformity with technical possibilities and depending on the load level of the transmission, transportation or distribution systems.

Transmission, transportation or distribution systems, i.e. natural gas storage access and use prices shall be regulated and public.

The system access and use prices from para.2 hereof, shall be determined by the system operator in conformity with the pricing methodology for system access and use, based on the previously obtained opinion of the Agency.

The Government of the Republic of Serbia shall approve the pricing document from para.3, hereof.

Article 37

A system operator may refuse access to the system when technical possibilities do not so allow due to a lack of capacities, faulty operation or system overload i.e. as a result of threatened system functioning safety or the objection of an energy producer in the Republic of Serbia on a lack of reciprocity.

Data on the load level of a transmission, transportation or distribution system or on the capacity of a natural gas storage facility shall be public.

A system operator shall bring a reasoned decision on refusing system access within three days as of the date of application for system access, at the latest.

An appeal may be filed against the decision referred to in para. 2 hereof, to the Agency eight days as of the date of its receipt.

The Agency decision on the appeal filed shall be final and an administrative procedure may be instituted against it.

Article 38

A transmission i.e. transportation system operator shall enable the transit of energy over the transmission, i.e. transportation system he is operating, with due respect for concluded international conventions or contracts.

A transmission, i.e. transportation system operator shall enable the transit of energy over the system he is operating based on the principle of regulated third party access, non-discrimination and transparency.

A transmission, i.e. transportation system operator may reject a request for energy transit if there are no technical possibilities for that due to the lack of capacities, faulty operation or transmission, i.e. transportation system overload as a result of contractual obligations undertaken and the energy consumption of consumers on the territory of Serbia, as well as a lack of reciprocity.

The procedure stipulated in Article 37 hereof shall apply to the rejection of an energy transit request.

5. Eligible Consumers

Article 39

The status of an eligible consumer shall be granted to a consumer of power, i.e. natural gas or heat, the total energy consumption of which, in the course of the previous 12 months at all measuring points, exceeds the determined annual energy level for granting eligible consumer status.

The status of an eligible consumer shall be granted on the basis of a decision confirming that conditions stipulated in para. 1 hereof have been met, to be issued by the Agency.

The Agency shall issue the decision from para. 2 hereof within 30 days as of the date of submission of the consumer's written application for status of eligible consumer, i.e. for the change of tariff consumer status into eligible consumer status.

The application of a consumer who was not an energy consumer for eligible consumer status shall be accompanied by a contract on the purchase of energy determining the planned energy consumption level, whereas the application for the change of tariff consumer status into eligible consumer status shall be accompanied by the decision of the energy entity for energy supply of tariff consumers on the quantity of energy consumed in the preceding 12 months.

The Agency shall submit the decision on granting eligible consumer status to a system operator, energy market operator and the energy entity for the energy supply of tariff consumers.

An eligible consumer cannot lose his status as long as his energy consumption is above the minimum energy consumption level specified for granting eligible consumer status.

The change of tariff consumer status into eligible consumer status, i.e. the change of eligible consumer status into tariff consumer status cannot be made before the expiry of 12 months as of the date of the last status change.

V CONDITIONS AND METHOD OF CARRYING OUT ENERGY ACTIVITIES

1. Carrying Out Energy Activities

Article 40

An energy activity may be carried out by an enterprise, i.e. other legal person or entrepreneur registered in the respective Register and licensed for energy activities, unless otherwise stipulated herein.

Article 41

Energy activities considered to be activities of general interest within the meaning of this Law, shall be the following: power generation, power transmission, transmission system operation, organisation of electrical power market, power distribution, power distribution system operation, trade in power for tariff consumers energy supply, oil pipeline transport, oil derivative pipeline transport, natural gas transportation, natural gas transportation system operation, natural gas storage, natural gas storage operation, natural gas distribution, natural gas distribution system operation, trade in natural gas for tariff consumers energy supply, heat generation, heat distribution, heat distribution system operation and heat supply to tariff consumers.

Public and other forms of enterprises, parts of an enterprise or an entrepreneur may carry out the activities referred to in para. 1 hereof, under the terms and conditions defined herein and regulations adopted in conformity with this Law and the law regulating activities of general interest.

Article 42

Trade in energy for the needs of tariff consumers as an activity of general interest to the effect of Article 41, para. 1 hereof, shall be carried out by energy entities, charged under their Articles of Association or decision entrusting them with the implementation of energy activities, with supplying tariff consumers on the territory of Republic of Serbia with electrical power or natural gas.

In discharging the activities from para. 1 hereof, an energy entity for the energy supply of tariff consumers shall ensure conditions necessary for regular and safe power and natural gas supply to tariff consumers, by purchasing that energy from producers, traders on the organised energy market or from import.

The energy entity from para. 1 hereof shall conclude written annual contracts on the purchase of energy for tariff consumers in conformity with the annual balance of the needs of tariff consumers which it supplies with energy, except in the cases stipulated herein.

Article 43

An energy entity carrying out two or more energy activities or in addition to energy activity also conducting some other activity which is not considered an energy activity within the meaning of this Law, shall ensure the legally prescribed conditions for carrying out each of those activities.

An energy entity carrying out two or more energy activities shall keep separate accounts for each energy activity in its internal accounting, as well as consolidated accounts for other activities, and draw up balance sheets showing revenues, expenditures and operating results for each activity individually pursuant to this Law and laws regulating commercial entities business operations, accounting and auditing.

The energy entity from para.2 hereof shall ensure independent auditing of balance sheets for all activities and submit balance sheets and auditing reports to the competent authority and shall publish them within the period and under the terms stipulated by the law regulating accounting and auditing.

2. Licenses

Article 44

An energy entity may start an energy activity on the basis of a license issued by the Agency, unless otherwise stipulated herein.

A license shall be issued under a decision within 30 days as of the date of license application.

A license should particularly include: the name of the energy entity, the energy activity, a list of energy facilities, data on their capacity, data on the area in which the energy activity will be carried out and the period for conducting the energy activity.

An appeal may be filed against the decision referred to in para.2 hereof to the Minister within 15 days as of the date of its receipt.

A license shall not be required for the following energy activities:

- 1) Generation of power for one's own needs only;
- 2) Generation of power in facilities with installed capacity of up to 1 MW;
- 3) Transport of oil and oil derivatives by other transportation means;
- 4) Storage of oil and oil derivatives for one's own needs,
- 5) Retail trade in liquefied petroleum gas in cylinders;
- 6) Generation of heat for one's own needs;
- 7) Generation of heat in facilities with installed capacity of up to 1 MW;

Article 45

At its request an energy entity shall be issued a separate license for each energy activity.

The license shall be issued for a period of 10 years.

The license validity may be extended at the request of the energy entity.

The request referred to in para. 3 hereof shall be submitted to the Agency 30 days before the expiration of the license validity, at minimum.

A license fee shall be paid in the amount specified by the Agency according to its adopted criteria and standards.

Article 46

A license shall be issued to an energy entity in the following cases:

- 1) If it is registered in the respective Registry for conducting activities considered energy activities within the meaning of this Law;
- 2) If energy facilities and other equipment, installations or plants required for conducting the energy activity meet the conditions and requirements specified in technical regulations, energy efficiency regulations, fire-prevention and explosion and environmental protection regulations;
- 3) if it meets the prescribed conditions for professional staff for conducting jobs and tasks of technical operation, i.e. conditions regarding the number and professional training of its staff for natural gas transportation and distribution facilities maintenance, as well as its operating staff;
- 4) If it has the financial funds required for conducting the energy activity or proves that it can secure such funds in the amount required for the conduct of the energy activity for which the license was applied for;
- 5) If in the last three years preceding the one in which the license for that activity has been applied for, the entity already licensed for that energy activity has not been denied a license;
- 6) If members of the management bodies have not been validly sentenced for commercial crimes.

The license application shall be accompanied by proof that the requirements from para.2 hereof have been met.

A report of the inspector in charge shall be proof that the requirements from para.1, item 2) and 3) hereof have been met.

Article 47

The professional qualifications for conducting natural gas transportation and distribution facilities maintenance, as well as operating those facilities from Article 46, para. 1, item 3) hereof shall be tested at a professional examination.

The professional examination shall be taken before a Commission formed by the Minister, i.e. the Head of the competent authority of the Autonomous Province for employees of energy entities whose head office is on the territory of the Autonomous Province.

The Minister shall define the detailed conditions, programme and method of taking the professional examination referred to in para. 2 hereof, as well as the conditions for professional staff referred to in Article 46, para. 1, Item 3) herein.

Article 48

The license for conducting an energy activity shall be temporarily suspended if the energy entity fails to meet one or more of the conditions referred to in Article 46, para. 1 hereof, if it fails to establish energy, i.e. energy service prices in accordance with the tariff system or does so in contravention of the approved, i.e. prescribed prices; if it fails to maintain energy systems in working and safe condition and in accordance with technical regulations regarding exploitation; as well as in the event of non-compliance with other conditions prescribed for carrying out energy activities under this Law and regulations enacted in compliance thereto.

The Agency shall adopt a decision on the temporary suspension of the license referred to in para. 1 hereof and set a deadline of 60 days as of the date of the decision, at maximum, for the elimination of deficiencies on account of which the license was temporary suspended.

At the proposal of the competent inspector the Agency shall adopt a decision on temporary license suspension due to non-compliance with the conditions from Article 46, para. 1, items 1), 2) and 3) herein.

In case an energy entity fails to eliminate the deficiencies on account of which its license was temporarily suspended within the period set in the act on temporary license suspension from para.3 hereof, its license shall be permanently revoked.

The Agency shall decide on the permanent revocation of the license referred to in para. 4 hereof.

Against the decisions from para. 3 and 5 hereof, an appeal may be filed with the Minister within eight days as of the date of its receipt.

Article 49

In case the suspension of operation of an energy entity whose license has been temporarily suspended could threaten regular and reliable energy supply, the lives and health of people or seriously disrupt the economy, the Agency can, based on the opinion of the Ministry and the competent inspectorate, instruct the energy entity to continue its energy activities until conditions are ensured for eliminating the harmful consequences of their suspension, but not exceeding the period specified in the decision from Article 48, para. 2 hereof.

An appeal may be filed against the decision referred to in para. 1 hereof, with the Minister.

The appeal shall not stay the enforcement of the decision.

In case the suspension of operation of an activity of general interest by energy entity whose license has been permanently revoked could threaten regular and reliable energy supply, the lives and health of people or seriously disrupt the economy, at the proposal of the Ministry, the Government of the Republic of Serbia can, by a special act designate another licensed energy entity to carry out the energy activity in the area previously serviced by the energy entity whose license was permanently revoked.

In the cases from para. 4 hereof, the act of the Government of the Republic of Serbia shall specify the rights and obligations of the energy entity designated to carry out the energy activities of general interest in the specific area and the time period for that activity, as well as the rights of the energy facilities owner whose license was revoked, if his energy facilities need to be used for the energy activity of an entity designated by the act of the Government of the Republic of Serbia.

Article 50

The Minister shall regulate the detailed conditions from Article 46, para. 1, Item 3 hereof, the licensing method, license suspension and revocation method, as well as the method of keeping the Register of issued, suspended, and revoked licenses.

3. CONNECTION OF FACILITIES TO THE TRANSMISSION, TRANSPORTATION AND DISTRIBUTION SYSTEM

Article 51

A facility shall be connected to the transmission, i.e. transportation or distribution system on the basis of an approval of the energy entity to whose system it is being connected, and the agreement of the system operator.

The energy entity to whose system the consumer's facility or the energy producer's facility is to be connected, shall approve the connection referred to in

para. 1 hereof, provided that the facility devices and installations to be connected meet the requirements stipulated by law, technical and other regulations on exploitation terms and conditions of such facilities.

Article 52

At the request of a legal or physical person whose facility is to be connected, the approval shall be granted by a decision.

The energy transmission, i.e. transportation or distribution entity shall decide a request for connection within 30 days as of the date of receipt of a written request.

An appeal may be filed against the decision referred to in para. 1 hereof, within 15 days as of the date of its receipt.

The appeal shall be submitted to the Agency.

The decision of the Agency on the appeal shall be final and an administrative procedure may be instituted against it.

Article 53

The approval for connection of a facility to the transmission, transportation or distribution system shall particularly include: the connection point, the connection terms and technical conditions, the place and terms of supplied energy measurement and connection period and costs.

The technical and other conditions of connection to the transmission, transportation or distribution system shall be specified in line with this Law, technical and other regulations enacted in accordance therewith.

Article 54

Measuring devices, i.e. measuring-control stations shall be energy delivery points and a demarcation point of responsibilities for energy delivered between energy entities i.e. between an energy entity and an energy consumer.

Measuring devices, i.e. measuring and control stations for connecting consumers', i.e. energy producers' facilities to the system, shall be provided by the transmission, transportation, i.e. distribution energy entity which shall install, maintain, and calibrate them as its own assets and measure the delivered energy.

Article 55

The connection charges referred to in Article 53, para. 1 hereof shall be borne by the applicant.

The transmission, i.e. transportation or distribution energy entity shall specify the charges referred to in para. 1 hereof according to the methodology for calculating connection charges adopted by the Agency.

The methodology referred to in para. 2 hereof shall define the method and detailed criteria for calculating connection charges depending on the approved installed capacity, the connection point, the required works or equipment installation and other objective criteria.

Article 56

Before the consumer's facility is connected to the transmission, i.e. transportation or distribution system, the energy supplying entity and the energy consumer shall conclude a sales contract for power, natural gas or heat

The energy entity shall connect the consumer's facility to the transmission, transportation or distribution system within 15 days as of the date of concluding the energy sales contract, provided however that the consumer has fulfilled the obligations specified in the connection approval and that the consumer's facility meets all technical and other prescribed requirements.

In case the energy entity fails to connect the consumer's facility to the transmission, transportation or distribution system within the period specified in para. 1 hereof, at the consumer's request the inspector in charge shall determine whether the conditions for connection have been met, within 15 days as of the date of request, and if he finds that the consumer has met his obligations, order the energy entity to connect the facility forthwith.

The energy entity shall connect the energy producing facility to the transmission, transportation or distribution system within the period and under the conditions specified in the concluded contract.

Article 57

The contract referred to in Article 56, para. 1 hereof shall be concluded in writing and shall, in addition to the elements specified by the Law on Contracts and Torts, include the following elements: the connection time, the rights and obligations concerning the delivered quantity of energy, the delivery schedule and quality, the contract period and conditions for its renewal, the rights and obligations in the event of contract termination, energy entity obligations for the energy supply of tariff consumers in the event of failure to meet delivery quality and continuity obligations, consumer obligations in case of non-payment, the terms and conditions of energy takeover and use, the rights and obligations in case of a temporary suspension of energy delivery, the measuring methods, calculation and terms of payment of taken-over energy, the information method on the change of tariffs, prices and other conditions of energy delivery and use, as well as other elements depending on the characteristics and types of services provided by the supplier.

The provisions of this Law and other regulations adopted in accordance therewith shall apply to relations not regulated under the Contract referred to in para. 1 hereof.

Article 58

The connection of a facility to the transmission, transportation or distribution system for the construction, i.e. usage of which no permit has been granted in accordance with law, shall be prohibited.

Article 59

An approval for the temporary connection of a facility shall be granted if there is a need to connect temporary facilities, construction sites, similar facilities, as well as facilities approved for trial run in conformity with a special law.

The relevant provisions of this Law, other regulations adopted in accordance therewith and transmission, transportation i.e. distribution system grid codes shall apply to the conditions, terms and procedure of granting approval for temporary connection and energy delivery.

4. CONSUMER'S RIGHTS AND LIABILITIES

Article 60

In case of technical or similar deficiencies in energy delivery caused through no fault of the consumer's facility, the consumer shall be entitled to request the elimination of such deficiencies within a reasonable period of time.

A period of 24 hours, or two days at maximum as of the date of notice on failure shall be considered a reasonable period of time within which the energy entity shall eliminate the deficiency in the delivery of energy to consumers.

Deficiencies in energy delivery on account of the implementation of measures from Article 72, items 3) and 4) hereof shall not be considered disruptions in energy delivery within the meaning of para. 1 hereof.

Article 61

A consumer shall use energy under the conditions, manner and for the purposes stipulated in the energy sales contract, laws and other regulations enacted pursuant hereto.

Article 62

A consumer shall allow access of energy entity authorised personnel to measuring devices and installations, as well as to connection points for the purpose

of reading, checking proper operation, repair of defects, replacement and maintenance of devices and in case of energy delivery stoppage.

Article 63

In case of technical or other deficiencies in energy delivery due to a fault of the consumer's facility or his failure to exercise his contractual obligations, the transmission, i.e. transportation or distribution energy entity shall suspend energy delivery to the consumer under the terms and conditions stipulated herein and other regulations enacted in accordance herewith.

A written notice, indicating the deadline for rectifying the observed irregularities and failures, shall be submitted to the consumer prior to the suspension of energy delivery.

The period referred to in para. 2 hereof cannot be shorter than three days as of the delivery of the notice.

5. UNAUTHORISED ENERGY USE

Article 64

An arbitrary connection of a facility, device or installation to the transmission, transportation or distribution system shall be prohibited.

The use of energy without or bypassing measuring devices or contrary to the conditions stipulated by contract as regards reliable and accurate measuring of taken over energy shall be prohibited.

Article 65

In case the transmission, transport, i.e. distribution energy entity establishes the unauthorised energy use by a legal or physical person within the meaning of Article 64 hereof, it shall disconnect that facility from the transmission, transportation or distribution system forthwith.

VI PRICES OF ENERGY AND SERVICES

Article 66

Prices of energy and services provided by energy entity in discharging energy activity shall be freely formed or regulated.

Energy prices for eligible consumers shall be freely formed and specified by the contract concluded between an eligible consumer and his supplier.

Prices of oil derivatives shall be free.

The prices of energy delivered to tariff consumers and services rendered by energy entities referred to in Article 42, para. 1 hereof, shall be regulated.

Prices of energy delivered and services rendered to tariff consumers shall be determined by the energy supplying entity of tariff consumers, based on the previously obtained opinion of the Agency.

The Government of the Republic of Serbia shall approve the pricing act referred to in para. 5 hereof

Article 67

The tariff system shall define the elements for and method of calculating energy delivered to tariff consumers, as well as the elements for and methods of calculating services rendered to eligible consumers.

The tariff elements for calculating energy delivered and services rendered shall contain the justified operating costs comprising the costs of depreciation, maintenance, construction, rehabilitation and modernisation of facilities, insurance, fuel, environmental protection and other operating costs that ensure an adequate term and rate of return of investments in energy facilities.

Tariff system elements shall be expressed in tariff rates based on which the taken over energy, i.e. services rendered in energy activities shall be calculated.

The tariff system may establish different tariff rates, depending on the quantity and type of taken over energy, power and other characteristics of the energy taken over, the seasonal and daily delivery schedule, takeover point and measuring method.

Article 68

The tariff system shall determine the tariff rates for calculating the following prices:

- 1) electrical power generation for tariff consumers, power transmission, transmission system operation and system services, electrical power distribution and distribution system operation;
- 2) oil pipeline transport and oil derivatives pipeline transport;
- 3) natural gas production for tariff consumers, natural gas transport, transportation system operation and system services, natural gas storage, natural gas storage operation, natural gas distribution, distribution system operation;
- 4) heat distribution, distribution system operation, and delivery of heat.

Article 69

Tariff rates for energy delivered to the same category of tariff consumers shall be uniform for the whole territory of the Republic of Serbia.

The provision from para. 1 hereof shall not apply to tariff rates for the calculation of delivered heat.

The time of application of different day and night tariff rates for power delivered to tariff consumers may vary, but the duration of each tariff rate application to the same category of tariff consumers shall be the same for the whole territory of the Republic of Serbia.

Article 70

Tariff systems for calculating energy delivered i.e. energy services rendered shall be adopted by the Agency with the approval of the Government of the Republic of Serbia.

Tariff systems for calculating heat delivered, i.e. services rendered shall be adopted by the competent body of the local self-government unit, town, i.e. the City of Belgrade.

VII CONDITIONS OF ENERGY DELIVERY AND ENERGY MARKET ANTI-DISRUPTION MEASURES

Article 71

The Government of the Republic of Serbia shall stipulate detailed conditions for electrical power and natural gas delivery to consumers, as well as measures to be taken in cases of the threatened safety of electrical power and natural gas delivery to consumers due to disruptions in the functioning of energy system or the energy market.

Detailed conditions for heat delivery, as well as measures to be taken in cases of threatened safety of heat delivery to consumers due to disruptions in the functioning of the heat delivery system shall be passed by the competent body of the local self-government unit, town i.e. the City of Belgrade.

Article 72

The conditions of electrical power and natural gas delivery shall regulate the following in more detail:

- 1) Terms and procedure of granting approval for connection to the systems;

- 2) Terms and method of connection of temporary facilities, construction sites and facilities in trial run;
- 3) Measures envisaged for cases of short-term disruptions caused by breakdowns and other unforeseen circumstances threatening the safety of the energy system operation, as well as due to unforeseen and necessary energy facility maintenance and system expansion works;
- 4) General energy shortage measures in the cases referred to in Article 76 hereof;
- 5) Terms and conditions for energy delivery suspension;
- 6) Terms and conditions for rational use of energy and energy saving;
- 7) Terms and method of measures and schedule of energy delivery restrictions, as well as energy saving and rational consumption measures during general energy shortages;
- 8) Conditions of supplying consumers' facilities to which energy delivery cannot be suspended on account of outstanding liabilities for delivered energy or in other cases;
- 9) Method of regulating relations between suppliers and consumers to whom energy delivery cannot be suspended;
- 10) Measuring method of delivered energy;
- 11) Calculating method of unauthorised energy take over;
- 12) Manner of consumer notification in the cases referred to in items 3), 4), 5), 6) and 7) hereof;
- 13) Other conditions and measures for consumer energy supply.

Article 73

The measures specified in Article 72 items 3) and 4) hereof shall be carried out based on plans on electrical power and natural gas delivery restrictions.

The plans from para. 1 hereof shall be adopted by the system operator in cooperation with the energy entity engaged in energy transmission, i.e. transportation or distribution activities.

Article 74

The decision on implementing the measures from Article 72 item 3) hereof shall be adopted by the system operator.

Article 75

At the proposal of the Ministry and based on the prior notice of the system operator on circumstances requiring such measures, the Government of the Republic of Serbia shall bring a decision on the measures referred to in Article 72 item 4) hereof.

The decision referred to in para. 1 hereof and the plan on restricting electrical power i.e. natural gas delivery according to which the measures referred to in Article 72 item 4) hereof are implemented, shall be announced in the media, at least 24 hours prior to the introduction of the measures mentioned in the decision.

Article 76

The Government of the Republic of Serbia shall prescribe measures for electrical power i.e. natural gas delivery restrictions or specific conditions for the import or export of certain types of energy, the terms and conditions of pricing and price control, the obligation of energy delivery only to specific consumers or special conditions for conducting energy activities, in case of threatened security of consumer supply or threatened energy system operation due to insufficient supply on the energy market or other exceptional circumstances.

In the cases referred to in para. 1 hereof, the Government of the Republic of Serbia shall determine the manner of securing funds, i.e. sources of funds for indemnification of possible damage suffered by energy entities implementing those measures, as well as the terms and conditions for allocating funds for damage indemnification.

The measures referred to in para. 1 hereof may last until the circumstances on account of which they have been prescribed, i.e. the consequences of such circumstances, persist.

VIII PROTECTION OF ENERGY FACILITIES

Article 77

The energy entity using and maintaining the energy facilities shall have the right of passage over another owner's real estate for the purpose of carrying out maintenance works, controlling the proper operation of the facility, devices, plants or equipment and other necessary works, as well as the right to use the real estate on which works are being carried out, only in the course of such works.

The owner of the real estate shall allow access to the energy facilities referred to in para. 1 hereof and allow the works referred to in para. 1 hereof.

The energy entity referred to in para. 1 hereof shall compensate the owner for the use of the real estate referred to in para. 1 hereof and indemnify any damage caused to the real estate owner during the works, in a mutually agreed amount.

In case the owner of the real estate and the energy entity fail to reach the agreement referred to in para. 3 hereof, the competent court shall decide the matter.

Article 78

A competent body can order the relocation of an energy facility only on account of the construction of traffic, energy and utility infrastructure facilities, national defence facilities, water management facilities and facilities for protection against natural disasters, as well as other facilities considered to be of general interest within the meaning of the Expropriation Law, and which cannot be built on another location due to natural or other characteristics, as well as in the case of construction of mining facilities and works.

In the case referred to in para. 1 hereof, the costs of energy facility relocation, including construction costs, i.e. of locating that energy facility on another site shall be borne by the investor of the facility due to the construction of which the energy facility is being relocated.

Article 79

The construction of facilities not intended for energy activities, as well as other works below, above or next to the energy facilities contrary to laws, as well as technical and other regulations shall be prohibited.

The planting of trees and other plants on land above and below the energy facility or contrary to technical regulations shall be prohibited.

The owners and holders of other real estate rights shall regularly remove trees and other plants threatening the functioning of energy facilities.

The owner, i.e. user of the energy facility shall remove trees and other plants threatening the functioning of an energy facility at the expense of the owner, i.e. holder of other real estate rights if the latter fails to remove them despite a notice.

Owners and holders of other real estate rights on real estate located below, above and next to an energy facility cannot undertake works or other activities which prevent or threaten the operation and functioning of the energy facility without the prior approval of the energy entity - owner, i.e. user of that energy facility.

At the request of an owner or a holder of other real estate rights on real estate located under, above or next to the energy facility, the energy entity referred to in para. 5 hereof shall grant the approval for works within 15 days as of the date of the request.

An appeal against the decision referred to in para. 6 hereof may be lodged with the Minister within 15 days as of the date of the decision.

IX ELECTRICAL POWER

1. Electrical Power Generation

1) Electrical Power Producers

Article 80

The generation of electrical power shall include production in hydro-electric power plants, thermal power plants, combined heat and electric-power plants and renewable energy or waste electric -power plants.

An energy entity carrying out electrical power generation (hereinafter referred to as electrical power producer) shall maintain the generation capacities in operating order, ensure their constant operational and functional efficiency and safe use, as well as comply with all conditions and measures established by technical and other regulations and standards, grid codes and other regulations on exploitation conditions of facilities of that type and purpose, their security and environmental protection conditions stipulated by law and other regulations.

Article 81

A power producer, entrusted with electrical power generation for tariff consumers under its founding document or commissioning document, shall deliver the generated electrical power to the electrical power supplying energy entity for tariff consumers, in line with an annual contract they conclude.

Quantities of electrical power that the energy entity referred to in para. 1 hereof shall provide to tariff consumers shall be determined in a consolidated annual balance of electrical power requirements of all electrical power tariff consumers on the territory of the Republic of Serbia.

In case the same legal entity generates and trades in electrical power for the supply of tariff consumers, the consolidated balance of electrical power requirements of all tariff consumers on the territory of the Republic of Serbia shall be determined by an annual business plan of the said legal entity.

In case the energy entity referred to in para. 1 hereof is unable to generate the required quantities of electrical power for tariff consumers, the energy

entity for electrical power supply of tariff consumers shall purchase it from other producers in the country or on the free electrical power market or import it.

The energy entity from para. 1 hereof can sell electrical power in excess of the quantities contracted for the needs of tariff consumers on the free electrical power market.

Article 82

If apart from electrical power generation the same energy entity also carries out activities of distribution system operation, distribution and trade in electrical power, in doing so it shall abide by Article 43 hereof.

Article 83

A power producer rendering system services for the transmission system operator shall conclude a written system service contract with the transmission system operator.

2) Privileged Electrical Power Producers

Article 84

Privileged electrical power producers shall be producers who in their electrical power generation process use renewable energy sources or waste, those who generate electrical power in electric-power plants considered as small electric-power plants within the meaning of this Law, as well as those who simultaneously generate electrical power and heat, provided they meet energy efficiency criteria.

The Government of the Republic of Serbia shall define detailed conditions for granting the status of a privileged producer and eligibility criteria.

A power producer shall apply for the status of a privileged electrical power producer, submitting proof on meeting the eligibility criteria referred to in para. 2 hereof to the Minister, who shall decide the submitted application within 30 days as of the date of its submission.

An appeal against the decision referred to in para. 3 hereof may be lodged with the Government of the Republic of Serbia within 15 days as of the date of its receipt.

Article 85

The Ministry shall keep a register of privileged power producers that shall include the following data, in particular: electrical power generation plants, their location, installed electric-power plant capacity, projected exploitation period,

construction and exploitation terms for that plant, type of energy source used and entities generating electrical power in those facilities.

Article 86

Privileged power producers shall enjoy priority on the organised electrical power market over other producers who offer electrical power under equal conditions.

Privileged power producers shall be entitled to subsidies, tax relief, customs exemptions and other relief in line with laws and other regulations on taxes, customs and other duties, i.e. subsidies and other incentive measures.

3) Small Electric-Power Plants

Article 87

Within the meaning of this Law, small electric-power plants shall be electric- power plants of up to 10MW installed capacity.

Small electric-power plants can be connected to the distribution system under the conditions stipulated herein and shall be entitled to sell generated electrical power through the distribution system.

Article 88

The construction of small electric-power plants and electrical power generation in those electric-power plants can be carried out by legal persons and entrepreneurs under the conditions stipulated herein.

2. Electrical Power Transmission and Transmission System Operation

Article 89

The electrical power transmission system shall consist of a high-voltage 400 kV, 220kV network and part of the 110 kV network, as well as other energy facilities, the telecommunication system, information system and other infrastructure necessary for the functioning of the electrical power system.

Article 90

The energy entity carrying out electrical power transmission shall maintain the transmission system and electrical power transmission lines interconnected with other systems in good working order, ensure constant

operational efficiency and functioning of the transmission system as a whole, undertake all prescribed safety measures while using the transmission system and other transmission capacities, as well as environmental protection measures, and shall ensure transmission system development in line with five-year development plans.

The development plan referred to in para.1 hereof shall specify the construction schedule of new energy facilities and reconstruction of the existing ones within the transmission system, sources of financing and other conditions for transmission system development.

Data on the planned activities for transmission system development shall be submitted to the transmission system operator.

Article 91

The transmission system operator shall operate the transmission system on the territory of the Republic of Serbia.

Article 92

The transmission system operator shall be responsible for the following, in particular:

- 1) determining technical-technological conditions for linking electric-power facilities, devices and plants into an integrated system;
- 2) providing system services (regulatory reserves, frequency control and exchange power, voltage regulation, etc.);
- 3) transmission system operation;
- 4) coordinating plant handling within the transmission system with the transmission energy entity;
- 5) parallel operation of the electric-power system of the Republic of Serbia and neighbouring electric-power systems;
- 6) monitoring the state of generating, transmission and distribution facilities, and approving the transmission system facilities overhaul schedule;
- 7) ensuring security of the electric-power system functioning;
- 8) resolving problems of transmission system overload, while ensuring equal status of all entities;
- 9) cooperating with the electrical power market operator in planning operation and calculation of taken over electrical power;
- 10) adjusting deviation between electrical power requirements and contracted quantities;
- 11) required changes in the exploitation sequence of production capacities in case of threatened security of electrical power system functioning, breakdown, major deviation between consumption and contracted quantities, as well as in the cases stipulated in Article 76 hereof.

Article 93

The energy entity carrying out electrical power transmission shall be at the same time the transmission system operator and shall in carrying out each of these activities respect the obligations prescribed in Article 43 hereof.

The transmission system operator shall be independent in carrying out transmission system operation vis-à-vis electrical power transmission activities as regards organisation and independence in system operation related decision making.

If the energy entity from para. 1 hereof operates within a system of integrated, i.e. interconnected energy entities, the members of its management can neither participate in managing the parent company nor in managing other energy entities carrying out electrical power generation, distribution and trade activities within that same system.

The transmission system operator referred to in para. 1 hereof may trade in electrical power required for rendering system services for the purpose of secure, reliable and stable functioning of the system.

Article 94

Based on prior approval of the Agency, the transmission system operator shall adopt the transmission system grid code that particularly includes the following: technical conditions for connecting electrical power generation, transmission and distribution systems and consumer's facilities to the transmission system; rules on third party access to the transmission system; technical and other conditions for secure and safe system functioning; the method of specifying and implementing system services; emergency situation procedures; functional requirements and measuring device precision level, as well as the method of electrical power measuring.

The grid code referred to in para. 1 hereof shall be published in the »Official Gazette of the Republic of Serbia«.

Article 95

The transmission system operator shall treat electrical power producers and consumers of that energy in an equitable manner respecting the principle of transparency.

The transmission system operator shall meet its obligations of rendering system services based on the principle of minimum costs and non-discrimination of energy entities from which it obtains system services, and in line with the contract concluded with energy entities rendering system services.

Article 96

The transmission system operator shall keep records on the operational readiness of production facilities and transmission system capacities, prepare consumption projections and report on required electrical power and new transmission capacities to the Agency, at its request.

Article 97

The transmission system operator shall ensure the confidentiality of commercial and business data of energy entities and energy consumers, as well as other data it has access to in carrying out its activities.

3. Organisation of the Electrical Power Market

Article 98

The purchase and sale of electrical power shall be effected directly between energy entities or on the organised electrical power market based on electrical power sale contracts.

The electrical power market operator shall organise the electrical power market on the territory of the Republic of Serbia.

Participants in the electricity market shall be: electrical power producers, tariff consumer electrical power supplying entity, electrical power traders and eligible consumers of electrical power.

Article 99

Energy entities shall report to the electrical power market operator all contracts on the sale, import, export and transit of electrical power concluded directly between contracting parties, before the start of their implementation.

The electricity market operator shall keep records of all contracts concluded on the sale of electrical power on the electrical power market.

Article 100

The electrical power market operator shall be responsible for the efficient organisation of the electrical power market, managing electrical power purchase and sale systems according to conditions of market operation, as well as the development of the organised electrical power market with due respect for transparency and non-discrimination principles.

Article 101

The electricity market operator shall adopt an electrical power market code, based on the prior approval of the Agency.

The code referred to in para. 1 hereof shall be published in the »Official Gazette of the Republic of Serbia«.

The electrical power market operator shall ensure the confidentiality of commercial and business data of energy entities and energy consumers, as well as other data it has access to in carrying out its activities.

The Government of the Republic of Serbia shall regulate the organisation and operation of the electrical power market operator, business operating conditions and methods of entities on the organised energy market, as well as other conditions ensuring the functioning of the electrical power market in line with this Law.

Pending the adoption of the decision referred to in para. 4 hereof, the Government of the Republic of Serbia may appoint an energy entity for transmission and transmission system operation to discharge electrical power market operator's duties, in which case that energy entity shall abide by all the prescribed obligations from Article 43 hereof.

4. Electrical Power Distribution and Distribution System Operation

Article 102

the electrical power distribution system shall include a low-voltage network, medium-voltage network and a part of the 110 kV network, as well as other energy facilities, the telecommunication system, information system and other infrastructure required for distribution system functioning.

Article 103

An energy entity carrying out electrical power distribution (hereinafter referred to as electrical power distributor) shall be responsible for the maintenance, functioning and development of the distribution system, adjusted to the needs of consumers whom it supplies with electrical power in a given area, and for determining the construction method and schedule for a new distribution system and the rehabilitation of the existing one, as well as other distribution facilities in a five-year development plan.

Article 104

The electrical power distributor shall supply electrical power to all electrical power consumers in the area of its operation, based on the principles of transparency and non-discrimination.

Together with the electrical power supplying entity for tariff consumers, the electrical power distributor shall specify an annual balance of the tariff consumers' requirements he is supplying with electrical power in its distribution area and, in line with the specified balance conclude an annual electrical power purchase contract for those consumers.

The electrical power distributor shall conclude a contract with tariff consumers whom it supplies with electrical power, in line with the provisions of Article 57 hereof and within the set time period.

Article 105

The electrical power distributor shall also manage the distribution system through the distribution system operator, as well as retail trade in electrical power for the needs of consumers in its electrical power supply area.

Article 106

The distribution system operator shall ensure the confidentiality of commercial and business data of energy entities and energy consumers, as well as other data it has access to in carrying out its activities.

Article 107

The operating method and the method of securing operational availability of the power distribution system shall be determined by the distribution system grid code.

The distribution system operator shall adopt the distribution system grid code, with the Agency's approval.

The grid code referred to in para. 2 hereof shall be published in the »Official Gazette of the Republic of Serbia«.

Article 108

The distribution system grid code shall particularly determine: technical conditions for connecting consumers to the system; technical conditions for connection to the transmission system; technical and other conditions for safe operation of the distribution system and providing reliable and continuous delivery of electrical power to consumers; emergency situation procedures, rules on the third

party access to the distribution system, functional requirements and measuring devices precision level; electrical power measuring method and other conditions.

X OIL AND OIL DERIVATIVES

1. Activities

Article 109

Energy entities engaged in the production of oil derivatives, oil transport by pipelines, oil derivatives transport by pipelines, oil and oil derivatives transport by other means of transportation, storage of oil, oil derivatives and liquefied petroleum gas, and trade in oil and oil derivatives shall use and maintain energy facilities in line with technical regulations and standards relating to their line of activity, as well as environmental protection conditions established by laws and other regulations.

Provisions of this Law shall not apply to entities using oil collection-transportation system, as well as oil storage system in exploitation fields.

2. Transport of Oil and Oil Derivatives

Article 110

In their five-year development plans, energy entities transporting oil or oil derivatives by pipelines shall determine the construction schedule for new transportation capacities and the rehabilitation of the existing ones, sources of funds and other conditions for the transport system development and shall answer for the development plan implementation.

Article 111

An energy entity carrying out oil derivatives transport by pipelines shall establish the transportation system grid code which shall particularly contain: technical conditions for connection to the oil transportation system, technical conditions for safe system operation, breakdown procedures, rules on third party access to the oil transportation system, functional requirements and measuring devices precision level, the oil measuring method and other transport conditions.

The Agency shall approve grid code referred to in para. 1 hereof.

The grid code referred to in para. 1 hereof shall be published in the »Official Gazette of the Republic of Serbia«.

Article 112

An energy entity carrying out oil pipeline transport shall enable the transit of oil through pipeline according to the principles of regulated third party access, non-discrimination and transparency, with due respect for the concluded international conventions or contracts.

The energy entity carrying out oil pipeline transport may refuse third party access based on a request for pipeline oil transit, if there are technical-technological limitations, if oil pipeline capacities are full, or due to the already undertaken contractual commitments and oil consumption of consumers on the territory of the Republic of Serbia.

The procedure from Article 37 hereof shall apply in the refusal of requests for oil pipeline transit.

Article 113

The energy entity carrying out oil pipeline transport shall ensure the confidentiality of commercial and business data of energy entities and energy consumers, as well as other data it has access to in carrying out its activities

3. Security of Supply and Operational Reserves

Article 114

In addition to obligatory reserves, energy entities supplying consumers with oil derivatives and electrical power and heat producing buyers of oil derivatives shall, in line with a special law, ensure operational reserves, which are, at minimum, equal to the average fifteen-day requirements of those consumers in the preceding year.

The operational reserves of oil derivatives shall be used for ensuring security of energy supply to the population and industry.

The Minister shall prescribe the more detailed conditions and the method for ensuring, using and replenishing the operational reserves of oil derivatives.

XI NATURAL GAS

1. Carrying out Activities

Article 115

Energy entities carrying out energy activities of natural gas transport, transportation system operation, natural gas storage, natural gas storage operation,

natural gas distribution and natural gas distribution system operation shall use and maintain energy facilities pursuant to technical regulations and standards relating to their line of activity, fire-prevention, explosion and environmental protection conditions stipulated by laws and other regulations.

Provisions of this Law shall not apply to entities using collection-transportation system in natural gas producing exploitation fields.

Article 116

An energy entity supplying tariff consumers with natural gas shall purchase the required quantities of natural gas for tariff consumers in its natural gas supply area.

The energy entity from para. 1 hereof shall purchase natural gas from domestic natural gas producers, from imports or on the market.

The energy entity from para. 1 hereof shall specify the annual balance of requirements of all tariff consumers on the basis of individual balances of natural gas suppliers for tariff consumers, conclude natural gas purchase contracts in accordance with the specified balance of tariff consumers requirements and conclude written annual contracts with natural gas suppliers for tariff consumers.

The energy entity from para. 1 hereof shall be entitled to sell the surplus of the purchased natural gas on the natural gas market.

2. Natural Gas Transport and Transportation System Operation

Article 117

The system for the transport of natural gas shall consist of a pipeline network, other energy facilities, telecommunication and information systems and other infrastructure necessary for the transport of natural gas under the operational pressure of over 16 bars (hereinafter referred to as natural gas transportation system).

Parts of pipeline networks and other energy facilities in which the natural gas operational pressure is between 6 and 16 bars can also form an integral part of the natural gas transportation system.

Article 118

The energy entity carrying out the activity of natural gas transport shall be responsible for safe natural gas transport from its entry into the natural gas transportation system to delivery point of natural gas to the energy entity carrying out

the activity of natural gas distribution, i.e. delivery point of natural gas to consumer connected to the transportation system, as well as for the operation, maintenance and development of the natural gas transportation system, pursuant to technical regulations and standards relating to its line of activity, as well as environmental protection conditions defined by laws and other regulations.

The founding i.e. commissioning document of an energy entity carrying out natural gas transportation activities may also establish its obligation for natural gas storage and distribution activities.

Article 119

The energy entity carrying out the activity of natural gas transport shall determine the construction schedule of new natural gas transportation energy facilities and the rehabilitation of the existing ones, sources of funds, as well as other conditions for the transportation system development in its five-year development plan.

The energy entity carrying out activity of natural gas transport shall be responsible for the implementation of the development plan referred to in para. 1 hereof.

Article 120

The activity of natural gas transportation system operation on the territory of the Republic of Serbia shall be carried out by the natural gas transportation system operator.

The natural gas transportation system operator may also carry out the activity of natural gas transportation in which case in while carrying out each of those activities he shall abide by the prescribed obligations stipulated in Article 43 hereof.

If the transportation system operator also carries out the activity of natural gas transport, in carrying out activities of transportation system operation he shall be independent as regards the organisation and decision-making related to natural gas transportation operation, from natural gas transportation activities.

The operator referred to in para. 1 hereof can perform the activity of natural gas trade required for the rendering of system services for ensuring secure, reliable and stable system operation.

Article 121

The natural gas transportation system operator shall be particularly liable for:

- 1) determining technical-technological conditions for connecting gas transportation facilities, devices and plants;
- 2) natural gas flow and pressure control;

- 3) natural gas transportation system operation;
- 4) coordinating field operations in the transportation system with the transportation energy entity;
- 5) coordinating the operation of the natural gas transportation system of the Republic with the neighbouring gas transportation systems;
- 6) monitoring technical and functional availability of transportation and distribution facilities, including approval of the time schedule for transportation facilities overhaul;
- 7) ensuring the safety of transportation system operation;
- 8) covering discrepancies between current consumption and contracted natural gas quantities;
- 9) use, maintenance and upgrading of the monitoring and operating system for the natural gas transportation system.

Article 122

If the natural gas transportation system operator, i.e. combined operator of the transportation, distribution and storage system of natural gas carries out business activities within a system of integrated, i.e. interconnected energy entities, members of its management can neither participate in managing the parent company nor in managing other energy entities carrying out activities of distribution, trade and storage of natural gas operating within that system.

Article 123

The natural gas transportation system operator shall adopt the natural gas transportation system grid code with the approval of the Agency.

The grid code referred to under para. 1 of this Article shall particularly contain: technical requirements for connection to the natural gas transportation system, technical conditions safe system operation, breakdown procedures, rules on third party access to the natural gas transportation system, functional requirements and measuring devices precision level, the method of natural gas measuring and determining system services.

The grid code referred to in para. 1 hereof shall be published in the "Official Gazette of the Republic of Serbia".

Article 124

The natural gas transportation system operator shall ensure the confidentiality of commercial and business data of energy entities and energy consumers, as well as other data it has access to in carrying out its activities.

3. Storage and Natural Gas Storage Operation

Article 125

An energy entity engaged in natural gas storing shall ensure conditions for secure storing, functioning and maintenance of natural gas storage pursuant to technical regulations and standards relating to its line of activity, as well as conditions for environmental protection stipulated by law and other regulations.

Article 126

An energy entity carrying out the activity of natural gas storage shall specify construction schedule for new natural gas storage capacities and the rehabilitation of the existing ones, sources of funds and other conditions for the natural gas storage development in its five-year development plan.

An energy entity carrying out the activity of natural gas storing shall be responsible for the implementation of the development plan referred to in para. 1 hereof.

Article 127

The natural gas storage operator shall carry out natural gas storage operation activities.

The natural gas storage operator shall be responsible for:

- 1) pressure and quantity control in both working cycles;
- 2) operating the natural gas storage;
- 3) coordination of field operation with the transportation system operator;
- 4) monitoring and ensuring for functional availability of surface and underground parts of the storage;
- 5) adoption of operation code and rules on third party access to the storage capacities;
- 6) rational and efficient use of storage capacities.

The storage operator shall adopt the operation code of the natural gas storage with the approval of the Agency.

Article 128

The natural gas storage operator shall ensure the confidentiality of commercial and business data of energy entities and energy consumers, as well as other data it has access to in carrying out its activities.

4. Natural Gas Distribution

Article 129

Natural gas distribution systems shall include pipeline networks, other energy facilities, telecommunication and information systems and other infrastructure necessary for distribution of natural gas under the operational pressure of less than 6 bars.

Parts of pipeline networks and other energy facilities wherein natural gas operational pressure is between 6 and 16 bars can also form an integral part of a natural gas distribution system.

Article 130

An energy entity carrying out natural gas distribution activities shall deliver natural gas to all consumers within the area of its activities, based on the principles of transparency and non-discrimination.

The energy entity referred to in para. 1 hereof engaged in natural gas distribution activities under the commissioning document for that activity, concluded in line with the law regulating forms of organising and carrying out activities of general interest, in carrying out that activity, shall, apart from conditions stipulated under this Law, fulfil the conditions specified therein.

An energy entity carrying out natural gas distribution activities shall be responsible for regular and safe distribution of natural gas, functioning, maintenance and development of the natural gas distribution system, and apply technical regulations and standards for its line of activity, as well as respect environmental protection conditions stipulated by laws and other regulations.

Energy entity carrying out natural gas delivery shall also carry out technical control of indoor gas installations in the consumer's facility, in line with technical regulations and the grid code on construction, maintenance and use of indoor gas installations.

The consumer shall ensure the maintenance of indoor gas installations in his facility by entrusting that task to an enterprise, i.e. another legal person or entrepreneur that has at least three adequately skilled employees who have passed professional examination from Article 47 hereof.

Article 131

An energy entity carrying out natural gas distribution shall draft and adopt five-year development plans for the construction of new and rehabilitation of the existing natural gas distribution systems.

An energy entity carrying out natural gas distribution activities shall be responsible for the implementation of the development plan referred to in para. 1 hereof.

Article 132

The activity of operating a natural gas distribution system shall be carried out by the distribution system operator.

An energy entity carrying out activity of natural gas distribution can also perform the activity of natural gas distribution system operation.

Article 133

A distribution system operator for natural gas shall ensure the confidentiality of commercial and business data of energy entities and energy consumers, as well as other data it has access to in carrying out its activities.

Article 134

Distribution system operators for natural gas shall adopt distribution system grid codes, with the approval of the Agency.

A distribution system grid code shall particularly specify: technical conditions for users connection to the system; technical conditions for connection to the transportation system; technical and other conditions for safe operation of the distribution system and for providing secure and continuous natural gas consumer supply; emergency procedures; rules for third party access to the distribution system, functional requirements and measuring devices precision level; the method of natural gas measuring, etc.

The code referred to in para. 1 hereof shall be published in the »Official Gazette of the Republic of Serbia«.

5. Combined System Operator

Article 135

One operator, as a combined system operator can carry out the activity of natural gas transportation, distribution and storage system operation.

The founding or commissioning document of an energy entity for natural gas transportation and storage activities, may also charge it with activities of combined system operator.

In the case referred to in para. 2 hereof, the energy entity shall abide by legally prescribed obligations from Article 43 hereof in carrying out activities of

transportation, transportation system operation, distribution and distribution system operation and natural gas storage operation, except when supplying less than 100,000 natural gas consumers.

Article 136

The combined system operator shall adopt transportation system and distribution system grid codes, as well as operation rules for storage system, with the Agency's approval.

The method of coordinating the operation of each of these systems shall also be specified in the codes and rules referred to in para. 1 hereof.

XII HEAT

1. Heat Production

1) *Heat Producers*

Article 137

Energy entity generating heat (hereinafter referred to as heat producer) shall maintain production capacities, substations and other installations in proper operating condition, ensure their permanent operational and functional availability and safe use in accordance with technical and other regulations and standards on exploitation conditions for such facilities and installations, their security and environmental protection conditions stipulated by law and other regulations.

Article 138

A heat producer whose obligation to produce heat for tariff consumers is defined by its founding or commissioning document for heat production activities, shall deliver the produced heat to the energy entity supplying tariff consumers with heat according to the annual balance of the tariff consumers' needs.

The heat producer referred to in para. 1 hereof and the energy entity carrying out heat supplying activities of tariff consumers, if those activities are not performed by the same legal entity, shall conclude an annual written heat sales contract for tariff consumers needs.

2) *Privileged Heat Producer*

Article 139

Privileged heat producers shall be producers using renewable energy sources or waste in the heat production process who thus meet the energy efficiency conditions.

The competent body of the local self-government unit, town, i.e. the City of Belgrade shall prescribe the conditions for granting the privileged heat producer status, criteria for meeting those conditions and specify the method and procedure for obtaining that status.

Article 140

The competent body of the local self-government unit, town, i.e. the City of Belgrade shall keep the register of privileged heat producers particularly containing data on: heat producing facilities, their location, installed capacity of heat production plants, anticipated exploitation time, construction and exploitation conditions for these plants; type of primary source used, and entities carrying out heat production activities in those facilities.

Article 141

Privileged heat producers shall be entitled to subsidies, tax relief, customs exemptions and other relief in line with laws and other regulations on taxes, customs and other duties, i.e. subsidies and other incentive measures.

2. Heat Distribution

Article 142

An energy entity carrying out heat distribution activities(hereinafter referred to as heat distributor) shall also carry out the activity of heat distribution system operation and tariff consumers heat supply under conditions stipulated herein and regulations passed by the competent body of the local self-government unit, town, i.e. the City of Belgrade.

A heat distributor shall distribute heat to all heat consumers within the area of its activity and operate the distribution system according to the principles of transparency and non-discrimination.

Article 143

The heat distributor shall be responsible for the maintenance, functioning and development of the heat distribution system adjusted to the needs of consumers whom it supplies with heat

In its five-year development plan the heat distributor shall determine the construction method and schedule for a new distribution system and the rehabilitation of the existing one, as well as other distribution capacities.

The heat distributor shall be responsible for the implementation of the development plans referred to in para. 2 hereof.

Article 144

When carrying out activities of distribution system operation, a heat distributor shall adopt the distribution system operation rules with the approval of the competent body of the local self-government unit, town, i.e. the City of Belgrade.

The distribution system operation rules shall particularly determine: technical conditions for connecting users to the system, technical conditions for connection with producers, technical and other conditions for safe operation of the distribution system and for ensuring secure and continuous heat supply to consumers; emergency procedures, functional requirements and measuring devices precision level, as well as heat measuring method.

The rules referred to in para. 1 hereof shall be published in the official journals of the local self-government units, town, i.e. the City of Belgrade.

Article 145

By its regulations competent body of the local self-government unit, town, i.e. the City of Belgrade shall specify terms and conditions for ensuring consumers' heat supply continuity in its area with; rights and obligations of heat producers and distributors; rights and obligations of heat consumers; designate a body to be in charge of adopting tariff systems, licensing and approving heat prices and prescribe other conditions ensuring regular and secure heat supply of consumers in line with the law.

The unit of local self-government, town, i.e. the City of Belgrade can establish one energy entity for carrying out heat production, distribution and distribution system operation activities, as well as heat supply of consumers.

In the case referred to in para. 2 hereof, the founding document shall determine the conditions and method of organising each of the energy entity's activity, in line with the provisions of Article 43 hereof.

XIII THE ENERGY EFFICIENCY AGENCY

1. Establishment and Legal Status

Article 146

The Energy Efficiency Agency shall be established as a special organisation for carrying out professional activities of improving conditions and measures for energy and energy sources rational use and saving, as well as increasing efficiency of energy use within all sectors of energy consumption.

The Energy Efficiency Agency shall have the status of a legal person.

Article 147

The Energy Efficiency Agency shall carry out activities related to:

- 1) drafting proposals for incentive measures aimed at enhancing energy efficiency in the drafting of the Energy Development Strategy;
- 2) drafting and proposing programmes and measures for stimulating rational and efficient energy use; and monitoring their implementation;
- 3) drafting proposals for implementing energy efficiency, renewable energy sources exploitation and environmental protection;
- 4) drafting and proposing technical and other regulations for increasing energy efficiency;
- 5) drafting criteria for equipment efficiency evaluation in use of energy and method of marking them in line with adequate international regulations and standards;
- 6) providing financial and technical support in the preparation and implementation of priority energy efficiency projects;
- 7) consultative, advisory and educational activities in promoting energy efficiency;
- 8) other activities in compliance with the law.

Once a year the Energy Efficiency Agency shall report to the Government of the Republic of Serbia on its activities in the previous year and propose measures.

XIV INSPECTION SUPERVISION

Article 148

Inspection supervision of the implementation of the provisions of this Law and the regulations enacted thereon shall be carried out by electrical power inspectors and pressurised equipment inspectors of the Ministry within legally specified competences.

The Autonomous Province shall carry out inspection supervision on the territory of the Autonomous Province.

1. Inspection Supervision

Article 149

Inspection supervision shall include supervision of the implementation of the provisions of this Law, other regulations and general enactments, standards, technical and quality standards relating to energy activities, design, construction, maintenance and use of energy facilities, installations, devices, plants and equipment in such facilities, as well as supervision of the quality of energy delivered to consumers.

Article 150

The activities of an electrical power inspector can be carried out by graduate electrical engineer with five years of working experience in this field, at minimum, passed relevant professional examination and meeting other legally prescribed requirements.

The activities of an inspector for pressurised equipment can be carried out by a graduate mechanical engineer with five years of working experience in this field, at minimum, passed relevant professional examination and meeting other legally prescribed requirements.

The inspector shall be independent in his work within competences specified by law and other regulations, and shall be personally accountable for his work.

The Minister in charge of energy sector activities shall prescribe more detailed form and contents of the inspector's identity card.

2. Rights and Duties of Electric-Power Inspectors

Article 151

An electrical power inspector shall carry out inspection supervision of facilities for electrical power production, transmission and distribution and other facilities of over 1 kV voltage, in line with the competences stipulated herein.

Article 152

An electrical power inspector shall have the right and obligation to verify:

- 1) whether a power facility construction permit i.e. work permit for the assembly and fitting of installations, devices and equipment has been obtained from the competent body;
- 2) whether technical documentation for the construction of electrical power facility, i.e. works on the assembly and fitting of installations, devices and equipment has been prepared in line with laws, technical and other regulations;
- 3) whether the construction of an electrical power facility, i.e. works on the assembly and fitting of installations, devices and equipment are carried out in line with laws, technical and other regulations;
- 4) whether energy entities carrying out electrical power production, transmission and distribution activities meet prescribed requirements for such activities;
- 5) whether electrical power facilities, devices and installations are regularly maintained and controlled in accordance with the technical regulations and standards;
- 6) whether persons who operate electrical power facilities and handle equipment and maintain electrical power facilities and equipment meet requirements prescribed for such activities;

7) regularity of delivery and quality of electrical power delivered to consumers.

Electrical power inspector shall also carry out other activities stipulated by laws or regulations based thereon.

3. Rights and Duties of Pressurised Equipment Inspectors

Article 153

A pressurised equipment inspector shall carry out inspection supervision of energy facilities for: oil and oil derivatives transport, natural gas transport and distribution, heat production and distribution, oil and gas production and processing in accordance with his competences stipulated herein.

A pressurised equipment inspector shall also carry out supervision of other facilities with pressurised equipment, if it is so stipulated by another law.

Article 154

A pressurised equipment inspector shall have the right and duty to verify:

- 1) whether installation and fitting permit for pressurised equipment has been obtained from the competent body;
- 2) whether technical documentation for fitting and installing pressurised equipment has been prepared in line with laws, technical and other regulations;
- 3) whether fitting and testing of pressurised equipment has been carried out in line with laws, technical regulations and standards;
- 4) whether energy entities carrying out activities of production, distribution and delivery of heat and transportation, distribution and delivery of natural gas have met legally prescribed requirements for carrying out these activities;
- 5) whether pressurised equipment is maintained, controlled and tested regularly during exploitation in line with the technical regulation and standards;
- 6) whether persons who operate pressurised equipment and those maintaining it meet requirements prescribed for such activities;
- 7) regularity of delivery and quality of natural gas delivered to consumers.

The pressurised equipment inspector shall also carry out other activities stipulated by laws or regulations enacted based on laws.

4. Competences of Inspectors

Article 155

In carrying out inspection supervision, electric-power inspectors and pressurised equipment inspectors shall be authorised to:

- 1) order elimination of determined deficiency and defects within specified time period;

- 2) suspend construction of an energy facility, i.e. installation of devices, plants and installations or pressurised equipment if:
 - established deficiencies and defects are not eliminated within the specified period of time;
 - construction of energy facilities, devices, plants and installation is carried out without the approval of the competent body or contrary to technical documentation on the basis of which the approval was granted;
- 3) prohibit the use of an energy facility, i.e. devices, plants or installations or pressurised equipment if:
 - the operation of an energy facility, device, plant or installation threatens the lives and health of people and property.
 - established deficiencies and defects are not eliminated within the period specified in the decision on the suspension of use i.e. exploitation of the facility;
 - the license for carrying out activities in an energy facility is revoked due to non-compliance with prescribed conditions, excluding cases referred to in Article 49, para. 1 and 4 hereof.

The energy entity, enterprise and entrepreneur ordered by the inspector's decision to eliminate deficiencies or defects shall notify the latter in writing about the elimination of deficiencies or defects within the period specified in the decision.

Article 156

The inspector cannot prepare or participate in the preparation of technical documentation and technical inspection of the technical documentation for facilities which are the subject of inspection supervision, or carry out professional supervision of construction, i.e. works on the facilities which are the subject of inspection supervision.

Article 157

Energy entity, enterprise and entrepreneur shall enable the inspector to carry out unhindered inspection supervision, allow his entrance to facilities, place at his disposal all the requested data, documents and reports required for the inspection supervision.

Article 158

An appeal may be filed against the decision of the electrical power inspector and pressurised equipment inspector with the Minister within 15 days as of the date of decision.

The appeal shall not stay the enforcement of the decision.

XV PENAL PROVISIONS

1. Criminal Offences

Article 159

Anyone who arbitrarily connects facilities, devices or installations to the transmission, transportation or distribution system shall be punished by up to three years in prison (Article 64, para. 1 hereof).

Anyone using energy without or bypassing the measuring devices or contrary to the contracted conditions regarding reliable and accurate measuring of taken over energy shall be punished for a criminal offence by up to one year in prison (Article 64, para. 2 hereof).

2. Commercial Offences

Article 160

An energy entity, i.e. other legal entity shall be fined between 50.000 and 3.000.000 dinars for a commercial offence if it:

- 1) fails to ensure the confidentiality of commercial, business and other data it has access to in carrying out its line of activity, pursuant to Article 16 para. 2, Article 97, Article 101 para. 3, Articles 106, 113, 124, 128, and 133 hereof;
- 2) fails to keep separate accounts for each energy activity of general interest, fails to prepare a business balance sheet, and fails to arrange auditing of the said balance sheet in compliance with Article 43 paras. 2 and 3 hereof;
- 3) starts its energy activity without obtained license in line with Article 44, para. 1 hereof;
- 4) fails to connect consumer's facility to the system at the inspector's order, in line with Article 56, para. 3 hereof;
- 5) fails to adopt and publish operation rules in line with Articles 94, 107 para. 2 and 3, Articles 111 and 123, Article 127 para. 3, Articles 134, 136 and 144 hereof;
- 6) fails to ensure the prescribed operational reserves in line with Article 114 hereof;
- 7) fails to maintain internal gas installations in line with Article 130, para. 5 hereof;
- 8) fails to enable inspection supervision in line with Article 157 hereof.

The person in charge in the energy entity i.e. other legal person shall be also fined between 20.000 and 200.000 dinars for the commercial offence.

3. Infractions

Article 161

An energy entity, i.e. other legal entity shall be fined between 50.000 and 3.000.000 dinars for an infraction if it:

- 1) fails to submit necessary data and documentation pursuant to Article 16, para. 1 hereof;
- 2) fails to conclude a contract pursuant to Article 42 para. 3, Article 56 para. 1, Article 81 para. 1, Article 83, Article 104 para. 3, Article 116 para. 3 and Article 138 para. 2 hereof;
- 3) fails to decide on the consumer's request for connection of a facility within the time specified in Article 52, para. 2, hereof;
- 4) fails to connect the consumer's facility to transmission, transportation, i.e. distribution system in conformity with Article 56, para. 2, hereof;
- 5) fails to eliminate disturbances in energy supply to consumers within the period specified in Article 60, para. 2 hereof;
- 6) fails to provide access of authorised personnel to measuring devices, pursuant to Article 62, hereof;
- 7) fails to issue written notice to consumer and specify a deadline for the elimination of defects, pursuant to Article 63, para. 2 hereof;
- 8) fails to provide access to energy facilities, pursuant to Article 77, para. 2 hereof;
- 9) acts contrary to provisions specified in Article 79, para. 2 and 3 hereof;
- 10) fails to act in conformity with Article 155, para. 2 hereof.

The responsible of the energy entity i.e. other legal person will be fined between 5.000 and 20.000 dinars for the infraction referred to in para. 1 hereof.

Article 162

An entrepreneur i.e. physical person shall be fined between 5.000 and 20.000 dinars for an infraction if it:

- 1) fails to provide access of authorised personnel to measuring devices, pursuant to Article 62 hereof;
- 2) fails to provide access to energy facilities, pursuant to Article 77, para. 2 hereof;
- 3) acts contrary to provisions of Article 79, paras. 1, 2 and 3 hereof;
- 4) fails to maintain indoor gas installations in conformity with Article 130, para. 5 hereof;
- 5) fails to act in conformity with the inspector's order or inform the inspector of eliminated deficiencies within the deadline specified in the decision, pursuant to Article 155 hereof.
- 6) fails to make possible inspection supervision, pursuant to Article 157 hereof.

XVI TRANSITIONAL AND FINAL PROVISIONS

Article 163

The President and members of the Council shall be appointed within 60 days as of the date of entry of this Law into force.

The Government of the Republic of Serbia shall submit to the National Assembly a proposal of the list of candidates for the election of the President and members of the Agency Council within 30 days as of the date of entry of this Law into force.

The Council shall be established within 30 days as of the date of their election.

Article 164

The Agency shall start its operation on the date of its entry in the Court Register.

The Agency Council shall adopt its Articles of Association, Council's Rules of Procedure, and internal organisation and job classification documents, as well as other acts necessary for the organisation and discharge of Agency's tasks within 30 days as of the date of its establishment.

Article 165

The Agency shall adopt enactments specified in Article 15, para. 1, items 1), 2) and 3) hereof within one year as of the date of the start of its operation.

Article 166

The Government of the Republic of Serbia shall adopt a document on conditions for energy delivery referred to in para. 1 of Article 71, and conditions for granting the privileged power producer status referred to in para. 2, Article 84 hereof within one year as of the date of entry of this Law into force.

The competent body of a local self-government unit, town or the City of Belgrade shall adopt an enactment on conditions for heat delivery referred to in para. 2 of Article 71 hereof, as well as the enactment on conditions for granting the privileged heat producer status referred to in para. 2, Article 139, hereof within the period specified in para. 1 hereof.

Article 167

The Energy Efficiency Agency shall start its operations on the date of its entry in the Court Register.

On the day of the start of its operations, the Energy Efficiency Agency shall take over all assets, rights, obligations as well as employees taken over by the Ministry of Mining and Energy in line with the provision of Article 14 of the Order on Amending the Order on the General Secretariat and other bodies of the Government of the Republic of Serbia ("Official Gazette of the Republic of Serbia, Nos 15/01, 16/01, 32/01, 64/01, 29/02, 54/02, 91/03, 95/03, 117/03, 130/03, 132/03, 23/04, 25/04 and 51/04).

Article 168

The Minister shall adopt the document from Article 30 para. 2, Article 32 para. 2, Article 47 para. 3, Article 50, Article 114, para. 3 and Article 150, para. 4 hereof within one year as of the date of entry of this Law into force.

Article 169

Enterprises and entrepreneurs registered in the Court Register on the day of entry of this Law into force that are engaged in activities considered to be energy activities within the meaning of this Law, shall adjust their organisation, operation and business activities to the provisions of this Law within six months as of the date of entry of this Law into force at the latest and, within the same period of time, conclude contracts with competent bodies regulating rights and duties in carrying out activities of general interest, in conformity with the law regulating organisation forms and the method of carrying out activities of general interest.

Article 170

The Government of the Republic of Serbia shall determine method of organising energy entities for carrying out energy activities which were performed by public enterprises founded by laws before the date of entry into force of this Law i.e. public enterprises that were established by those public enterprises for carrying out specific energy activities and adopt founding document of energy entities that will perform those activities within six months as of the date of entry of this Law into force, in conformity with this Law and the Law on Public Enterprises and carrying out activities of general interest. ("Official Gazette of the Republic of Serbia, Nos 25/00, 25/02)

Article 171

Under the founding document of an energy entity for carrying out activities of power production, distribution and distribution system operation, and trade in power for tariff consumers on the territory of Republic of Serbia, the Government of the Republic of Serbia shall specify the principles of organisation, rights and duties of that entity with respect to the method of organising the discharge of each of those activities and specify deadline for adjusting the work and business activities to the provisions of this Law.

Under the founding document of an energy entity for carrying out activities of power transmission and transmission system operation, the Government of the Republic of Serbia shall specify the conditions and method of internal organisation of power transmission and transmission system operation activities and functional separation of specific activities in their implementation, as well as deadlines for conducting those activities.

In the adoption of document referred to under paras 1 and 2 hereof, the Government of the Republic of Serbia shall determine the status and legal position of enterprises (incorporated company) established by public electrical power enterprises

for activities that are not considered energy activities within the meaning of this Law, and regulate the manner of exercising founding rights in those enterprises.

Article 172

Under the founding document of an energy entity for activities of production, transportation, distribution, storage and trade in oil, oil derivatives and natural gas, natural gas transportation system operation, distribution system operation and storage system operation, the Government of the Republic of Serbia shall determine the organisational principles, rights and duties of that entity with respect to the method of organising the discharge of each of those activities and specify deadline for adjusting the work and business activities to the provisions of this Law.

Article 173

Pending the adoption of document from Articles 171 and 172 by the Government of the Republic of Serbia, public enterprises established by laws and public enterprises established by those enterprises for carrying out energy activities, shall continue their operation in conformity with regulations that were in force until the day of entry of this Law into force and the founding document.

Article 174

Pending the adoption of regulations referred to in Article 71 hereof, the Decision on General Conditions for Electrical Power Delivery shall apply ("Official Gazette of the Republic of Serbia", No 39/01 – amended text, Nos 65/03 and 130/03) and the Decree on General Conditions for Natural Gas Delivery ("Official Gazette of Republic of Serbia", No 60/93).

Pending the adoption of the tariff system referred to in para. 1, Article 70, hereof, the Decision on Tariff System for the Sale of Electrical Power shall apply ("Official Gazette of Republic of Serbia", Nos 24/01, 58/01, 61/01 and 37/02).

Pending the adoption of the documents referred to in para. 1 Articles 70 and 71 hereof, regulations on general conditions and the tariff system shall be adopted by the Public Enterprise "Elektroprivreda Srbije" (Electrical Power Utility of Serbia) in the manner and according to the procedure prescribed by the Law regulating the legal position of public enterprises and implementation of activities of general interest and by the founding document of the said public enterprise.

Article 175

Public enterprises, other forms of enterprises and entrepreneurs carrying out energy activities shall obtain licenses for carrying out energy activities within six months as of the date of adoption of regulation referred to in Article 50 hereof.

Article 176

Energy entities for energy transmission, transportation, i.e. distribution and current consumers shall, within two years as of the date of entry of this Law into force, conclude contracts regulating the conditions and manner of taking over measuring devices and consumers' measuring-regulating stations, as well as methods of regulating property-legal relations of implied by that take over.

Energy entities referred to in para. 1 hereof, shall replace the existing but defective measuring devices of energy consumers that do not meet the required technical conditions, and maintain them as their own assets, calibrate them and provide regular measuring in conformity with Article 54 hereof.

The competent body of the local self-government, town or the City of Belgrade shall prescribe conditions, terms, procedures and deadlines for carrying out obligations referred to in paras. 1 and 2 hereof, relating to heat delivery.

Article 177

Pending the determination of the minimum annual energy consumption levels required for granting the eligible consumer status in conformity with this Law, the minimum annual energy consumption requirements for the eligible consumer status shall be 25 GWh for electrical power, 50 million cubic meters for natural gas, i.e. 5000 GJ for heat.

Article 178

Pending the entry of this Law into force persons who have passed the professional examination whereby their professional abilities for carrying out activities defined in this Law were verified in accordance with regulations that were in force at the time of their examination, as well as persons granted the right to perform certain activities by those regulations, shall meet the requirements for carrying out those activities in conformity with this Law provided, however, that they meet all other prescribed conditions.

Persons who have failed professional examination, and on the day of entry of this Law into force are carrying out activities for which a professional examination is required, may continue to do so until taking the professional examination provided that they meet other prescribed conditions, for no longer than two years as of the date of entry of this Law into force.

Article 179

Before the Agency starts functioning, Minister shall decide appeals from the jurisdiction of the Agency.

Article 180

Requests submitted before the entry of this Law into force, which have not been decided in the first instance, shall be decided according to regulations that were in force at the moment of their submission.

Article 181

As of the date of entry of this Law into force, the following shall cease to be valid:

- 1) Law on Electrical Power Utility (the Official Gazette of the Republic of Serbia Nos. 45/91, 53/93, 67/93, 48/94, 69/94 and 44/95), except for provisions of Articles 5-20 of that Law;
- 2) Law on Transportation, Distribution and Use of Natural Gas (the Official Gazette of the Republic of Serbia Nos. 66/91, 53/93, 67/93, 48/94, and 12/96).

Article 182

This Law shall come into force on the eighth day as of the date of its publishing in the Official Gazette of the Republic of Serbia.