

ENERGY LAW

I. GENERAL PROVISIONS

1. Subject matter

Article 1

The present Law shall regulate the following: energy policy objectives and the method of its implementation, conditions for reliable, secure and quality energy and energy-generating products supply, conditions for safe supply to the customers, conditions for constructing new energy facilities, conditions and manner of performing energy related activities, manner of organizing and functioning of the electricity and natural gas market, rights and obligations of market participants, energy customers' protection, manner, conditions and incentives for energy production from renewable energy sources and combined generation of electricity and heat, rights and duties of governmental bodies and Energy Agency of the Republic of Serbia (hereafter: Agency) in enforcing this law and monitoring the implementation hereof.

2. Terms

Article 2

Individual terms used in this law shall have the following meaning:

- 1) **balance responsibility in the electricity market** means the obligation of market participants to balance generation, consumption and agreed purchase and sale of electricity in the period for which balance deviation is established and taking over financial responsibility for any deviation;
- 2) **balance responsibility in the natural gas market** means the obligation of market participants to balance the amount of natural gas entering the system and leaving the system in the accounting period and taking over financial responsibility for any deviation;
- 3) **biomass** is a biodegradable part of product, waste and remains of biological origin from agriculture (including plant and animal matters), forestry and biodegradable part of industrial and municipal waste;
- 4) **biofuels** are liquid or gas transport fuels, produced from biomass;
- 5) **biofluid** is liquid fluid for producing electric and thermal energy and heating and cooling energy, produced from biomass, except for transport.
- 6) **vertically integrated undertaking** is an energy entity or group of energy entities where the same legal entity is entitled, directly or indirectly, to manage and where the energy entity or group, in addition to one of the following activities: electricity transmission and transmission system management, natural gas transport and transport system management, electricity distribution and distribution system management, natural gas distribution and natural gas system management, natural gas warehousing and natural gas warehouse management, also performs one of the following activities as a minimum: electricity or natural gas generation, electricity or natural gas supply, public supply with electricity or natural gas;
- 7) **guarantee of origin** is a document with a sole function of proving to the final customer that a given share or quantity of energy was produced from renewable energy sources, as well as from combined electricity and heat production with high energy conversion efficiency;

- 8) **oil derivatives** are products made from crude oil processing, by way of degasolination or in processes of separating light liquidised hydrocarbons (motor petrol, diesel fuels, all types of fuel oils, jet engine fuels, liquefied petroleum gas, etc.);
- 9) **direct line** is the transmission line that connects an isolated generation point and an isolated customer or that connects an electricity producer and an energy entity using electricity to power its own plant, related companies and eligible customer;
- 10) **direct gas pipeline** is a pipeline connecting a producer to a facility of an isolated natural gas consumer;
- 11) **electricity distribution** is transfer of electricity via a distribution system for the purpose of delivering electricity to final customers, but it does not comprise electricity supply;
- 12) **natural gas distribution** is transfer of natural gas via a distribution system for the purpose of delivering natural gas to final customers, but it does not comprise natural gas supply;
- 13) **heat distribution** means transfer of heat for distance heating and/or distance cooling or industrial use by steam, hot water or cooling fluid through distribution systems;
- 14) **upstream gas pipeline** is the gas pipeline connecting the facilities for oil or natural gas production with the facilities for natural gas processing;
- 15) **household** is the customer who buys electricity or natural gas for his own household's consumption, excluding performance of commercial or professional activities;
- 16) **energy sources** are coal, natural gas, oil, oil derivatives, renewable and other energy sources;
- 17) **energy from renewable sources** is energy produced from non-fossil renewable energy sources such as: watercourses, biomass, wind, sun, biogas, landfill gas, sewage treatment plant gas and sources of geothermal energy;
- 18) **energy system** means electricity system or natural gas, oil or oil derivatives system comprising energy facilities interlinked into an integrated technical and technological system;
- 19) **energy entity** is a legal person, and/or entrepreneur registered for carrying out one or more energy activities;
- 20) **energy** means electricity and heat;
- 21) **interconnecting overhead line** is an overhead line crossing the border between the states and connecting their transmission systems;
- 22) **interconnector** is gas pipeline, oil pipeline, and/or oil derivatives pipeline that crosses state borders for the purpose of connecting their transport systems, as well as equipment used for connecting electricity systems;
- 23) **delivery** is delivery of energy and/or energy source from the facilities of one energy entity or natural gas producer to those of another energy entity or final customer;
- 24) **public supplier** is an energy entity in business of public supply of energy;
- 25) **public supply** is sale of electricity and natural gas to households and small customers at regulated prices;
- 26) **eligible customer** is customer of electricity or natural gas who can choose his supplier freely;
- 27) **system user** is any natural or legal person supplying to, or being supplied by, a transmission or distribution system;

- 28) **final customer** is a legal or natural entity or entrepreneur buying electricity or natural gas for his own needs;
- 29) **customer** is a legal or natural entity or entrepreneur buying electricity or an energy source;
- 30) **linepack** is the natural gas quantity that is stored under pressure in transportation and/or distribution gas pipeline, which ensures safe operation of the system;
- 31) **license** is a document establishing that legally prescribed conditions for performing energy activities envisaged by this law are met. issued for the performance of at least one energy activity ;
- 32) **small electricity or natural gas customers** are final customer who have less than 50 employees and whose balance sheet or total annual revenue is up to EUR 10 million in RSD equivalent with their facilities connected to the electricity distribution system with voltage level lower than 1 kV, i.e. to natural gas distribution system;
- 33) **electricity metering device** is an electricity counter, voltage and electricity metering transformer and other auxiliary equipment used for measuring electricity;
- 34) **motor fuels** are fuels for powering motor vehicles (motor petrol, diesel fuels, jet engine fuels, ship engine fuels, liquid petroleum gas, biofuels, compressed natural gas, etc.);
- 35) **uninterrupted capacity** is capacity guaranteed to the gas system user in agreed scale by transport system operator;
- 36) **new infrastructural buildings** are buildings that had not been built to the date hereof coming into force and that can be exempt from regulated system access rights;
- 37) **electricity distribution system operator** is an energy entity dealing with electricity distribution and electricity distribution system management, except from part of 110kV of distribution system in transforming stations 110/x kV (connecting fields 110kV, feeder bays and overhead line fields 110kV) and is responsible for distribution system operation, maintenance and development in a certain area, its connection with other systems and for ensuring long term capacity of the system to meet electricity distribution needs in an economically justifiable manner;
- 38) **natural gas distribution system operator** is an energy entity dealing with natural gas distribution and natural gas distribution system management and is responsible for distribution system operation, maintenance and development in a certain area, its connection with other systems and for ensuring long term capacity of the system to meet natural gas distribution needs in an economically justifiable manner;
- 39) **electricity transmission system operator** is an energy entity dealing with electricity transmission and electricity transmission system management and is responsible for transmission system operation, maintenance and development in the territory of the Republic of Serbia, its connection with other systems and for ensuring long term capacity of the system to meet electricity transmission needs in an economically justifiable manner;
- 40) **system operator** is electricity transmission system operator, electricity distribution system operator, natural gas transport system operator, natural gas distribution system operator and natural gas storage operator;
- 41) **natural gas storage operator** is an energy entity dealing with natural gas storing and management and is responsible for natural gas storage operation, maintenance and development;

- 42) **natural gas transport system operator** is an energy entity dealing with natural gas transport and natural gas transport system management and is responsible for transport system operation, maintenance and development in a certain area, its connection with other systems and for ensuring long term capacity of the system to meet natural gas transport needs in an economically justifiable manner;
- 43) **pressurised equipment** means gas pipelines, oil pipelines, oil derivatives pipelines, steam and hot water boilers, pressurised containers and other pressurised equipment defined by special technical regulations;
- 44) **organised electricity market** is an institutionally regulated relationship between electricity market participants' supply and demand with predefined standardised products and physical delivery, on a timescale of one day in advance and within a day;
- 45) **main oil derivatives** are all types of motor petrol, all types of diesel fuel, burning oil and all types of hard oil;
- 46) **full supply** is electricity or natural gas sale where the supplier has the responsibility to supply electricity and gas and to balance the position of the final customer based on the consumption measured at the metering point inside the balance responsible entity where it belongs.;
- 47) **interrupted capacity** is the capacity which may be stopped by transport system operator pursuant to the terms envisaged in the transport contract;
- 48) **electricity transmission** is transfer of electricity via connected high voltage systems for the purpose of delivering electricity to final customers or distribution systems, but it does not comprise supply;
- 49) **connection to the system** is a set of lines, equipment and devices by which the installation of a facility of an energy entity, natural gas producer or final customer is physically connected to the transmission, transport and/or distribution system;
- 50) **access to the system** is the right to use the system for the purpose of transmission, and/or transport, distribution, takeover and delivery of an agreed quantity of electricity, natural gas, oil and oil derivatives at the agreed time under prescribed and publicly announced conditions at the non-discriminatory principle;
- 51) **system services** are services required in securing the safe, reliable and stable operation of an energy system;
- 52) **supply** is sale, including resale of electricity and natural gas to customers;
- 53) **heat supply** is the sale of heat to the final customer;
- 54) **transport system operator and natural gas storage own consumption** is natural gas consumption required for transport system and/or natural gas storage operation;
- 55) **tariff customer for heat** is a heat customer buying heat for his own purposes at the price in line with the tariff system;
- 56) **transport of oil and oil derivatives by other transportation means** is transport of oil and/or oil derivatives by all means of transportation except by oil pipeline and/or oil derivative pipeline;
- 57) **natural gas transport** is transport of natural gas through the transport system to final customers or distribution systems, excluding supply;
- 58) **oil and oil derivatives transport** is transport of oil or oil derivatives through the transport system from producers or other systems, and/or from terminals to users, excluding supply;
- 59) **motor and other oil sale at supply stations** for vehicles is retail trade;
- 60) **oil oil derivatives, biofuels and compressed natural gas sale** is wholesale trade and it includes purchase and/or import for further sale and/or export

- 61) **oil, oil derivatives, biofuels and compressed natural gas sale** outside the vehicle supply stations is retail;
- 62) **“take or pay” contract** is a contract by which the supplier is obligated to deliver the agreed quantities of natural gas, and the customer is obligated to pay these quantities, regardless of whether he took them;
- 63) **contracted congestion** is the transport system condition when demand scale for uninterrupted capacities exceeds the capacity of the natural gas transport system;
- 64) **“Feedin” tariff** is the incentive purchase price of electricity from renewable sources and combined heat and electrical power generation that meets all prescribed criteria;
- 65) **horizontally integrated company** is an energy entity that in addition to one of the energy related activities in the area of electricity and/or natural gas performs one activity as a minimum in an area that is not related to electricity and/or natural gas;

II. ENERGY POLICY AND ENERGY DEVELOPMENT PLANNING

1. Energy Policy Objectives

Article 3

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

- 1) reliable, safe and quality supply of energy and energy sources;
- 2) creating conditions for the safe and reliable energy systems operation and sustainable development;
- 3) energy market competition based on the principles of non-discrimination, publicity and transparency;
- 4) providing conditions for promoting energy efficiency in carrying out energy activities and energy consumption;
- 5) creating economic, commercial and financial conditions for generating energy from renewable energy sources and combined heat and electricity generation;
- 6) creating conditions for use of new energy sources;
- 7) promoting environmental protection in all energy related areas;
- 8) creating conditions for investments into the energy sector;
- 9) energy and energy sources’ customers protection;
- 10) connecting the energy system of the Republic of Serbia with the energy systems of other countries ;
- 11) electricity and natural gas market development and their connecting with the regional and internal market of the EU.

Energy policy is elaborated and implemented in more detail through the Energy Sector Development Strategy of the Republic of Serbia (hereinafter referred to as: Strategy), the Strategy Implementation Programme (hereinafter referred to as: Programme) and the Energy Balance of the Republic of Serbia (hereinafter referred to as: Energy Balance).

In accordance with the Strategy and Programme, the Government may pass national action plans specifying the development objectives and measures for their implementation.

2. Strategy

Article 4

Strategy is a document for establishing the energy policy and planning energy sector development.

The strategy specifies:

- 1) long term goals for production capacity development that serve to ensure safe supply, while honouring technological, economic and environmental protection criteria;
- 2) transmission, transport and distribution system development courses;
- 3) electricity and natural gas market development courses;
- 4) sources and manner of providing the required quantities of energy and energy sources;
- 5) course of development for using energy from renewable sources and improving energy efficiency;
- 6) estimate of finances for Strategy implementation;
- 7) other elements of importance for accomplishing the energy policy objectives.

The Strategy shall be adopted by National Assembly of the Republic of Serbia (hereafter referred to as National Assembly) upon Government's proposal for a 15 year period, at a minimum.

Government shall monitor the Strategy implementation and, as required, propose its adjustment to the needs.

The Strategy is adjusted to the documents relating to Serbia's economic development and Serbia's strategic and plan documents and it contains an analysis of the achieved objectives identified by the Strategy for the previous period.

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

3. Programme

Article 5

The programme shall establish conditions, manner, timeline and measures for the Strategy implementation.

The Programme is adopted by Government for a period of six (6) years at the proposal of the Ministry in charge of energy sector activities (hereinafter referred to as the Ministry).

The Ministry shall follow the Programme implementation and, as required, suggest its adjustment to the actual needs every other year as a minimum.

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 and/or the competent body of the Autonomous Province, energy entities, the Agency and administrations of the local self-government units shall submit data for the drafting of the Programme within 60 days as of the date of its submission.

The request for the data referred to in para. 5 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.

Article 6

The Programme contains:

- 1) energy facilities to be built and concessions to be given for the construction of energy facilities and the deadlines for their implementation;
- 2) estimate of finances and sources of financing;
- 3) the share of using renewable and new energy sources in total energy generation;
- 4) usage of modern technologies for energy and energy sources generation;
- 5) incentives for investments into the energy sector;
- 6) measures for improving energy efficiency;

- 7) environmental protection measures, and
- 8) other elements of importance for the Strategy implementation.

4. Reporting

Article 7

The Government shall submit an annual report to National Assembly regarding the Strategy and Programme Implementation, including the following:

- 1) the results accomplished in the last year against the objectives;
- 2) the estimated effects of the achieved results and their impact on the Programme in the next year;
- 3) proposed measures for a more efficient implementation, and
- 4) estimated need for adjusting the Programme and potential Strategy adjustment to the actual needs.

5. Energy Balance

Article 8

The Energy Balance shall define: annual energy and/or energy sources needs expressed on a monthly level to be provided for the reliable, safe and quality supply of final customer, while recognising the need for rational consumption of energy and energy sources; sources for the provision of the required energy and/or energy sources; required level of reserves and reserve capacities of energy facilities for the safe supply of customers with energy and energy sources.

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

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

The Ministry shall follow implementation of the Energy Balance, analyse its performance in the previous year and, if required, propose measures for ensuring its implementation to the Government.

The Ministry shall publish the adopted Energy balance on its website within 15 days from the day of its publication in the "Republic of Serbia Official Gazette" at the latest.

Article 9

The Energy Balance from Article 8 hereof shall contain:

- 1) electricity balance;
- 2) coal balance;
- 3) oil, oil derivatives and biofuels balance;
- 4) natural gas balance;
- 5) heat balance;
- 6) renewable energy sources balance;

The Minister shall prescribe the Energy Balance contents, the type of data, deadlines and the manner of data submission, and dissemination of actual energy data relevant for monitoring of the energy balance. other elements required for drafting and monitoring the Energy Balance implementation.

6. Development Plans

Article 10

The Autonomous Province and local self-government units shall include the energy needs within their area into their development plans, as well as the terms and conditions of providing the necessary energy capacities in line with the Strategy and the Programme.

III. GOVERNMENT AND MINISTRY POWERS IN THE ENERGY FIELD

Article 11

As proposed by the Ministry, Government:

- 1) proposes and monitors the Strategy implementation;
- 2) passes the Programme;
- 3) passes the Energy Balance;
- 4) prescribes terms and conditions for electricity and natural gas delivery and supply, as well as the measures which are applied in case of endangered electricity and natural gas security of supply to the customers due to energy system operations disruptions or market disruptions;
- 5) passes national action plans;
- 6) passes a document on conditions for acquiring the status of privileged electricity producer;
- 7) prescribes the incentive measures for electricity production by using renewable energy sources and for purchasing such energy as well as the act defining the incentive measure fee level;
- 8) prescribes the mandatory biofuel share in transport sector and the measures for reaching it, incentive measures for biofuel production, as well as criteria for sustainable biofuel production;
- 9) prescribes criteria, protection mode, conditions, deadlines and procedure for the establishment of energy protected a customer status;
- 10) determines another energy entity to perform energy operations of general interest in the area where the energy operation was performed by an energy entity with permanently withdrawn licence and defines the rights and duties of the energy entity;
- 11) prescribes the method for definition of the highest main oil derivatives prices so as to prevent disruptions in the oil and oil derivatives market;
- 12) Passes the Preventive Action Plan and Crisis Plan referred to in Article 161 paragraphs 2 and 3 of this Law and adopts measures in cases of general shortage;
- 13) selects a public supplier and reserve supplier pursuant to the provisions hereof;
- 14) decides on the launch of a public tender for the construction of electricity production facilities;
- 15) creates conditions for investing into Serbia's energy sector and stimulates transparency and non-discrimination based competition;
- 16) decides on other issues as envisaged by this law.

Article 12

Under the law, the Ministry shall:

- 1) prepare and proposes to Government the Strategy, the Programme, and the Energy Balance, follows its implementation and submits the report thereof;
- 2) draft and propose to the Government a document on Terms and Conditions for Electricity and Natural Gas Delivery and Supply for customers as well as the measures applied in case of endangered electricity and natural gas security of supply to the customers due to energy system operations disruptions or market disruptions;
- 3) draft annual reports on electricity and natural gas supply safety each year and publishes them on the Ministry website;

- 4) draft and propose to the Government a document on conditions for acquiring the status of privileged electricity producer;
- 5) draft and propose to the Government a document specifying the incentive measures for electricity production by using renewable energy sources and for purchasing such energy as well as the act defining the incentive measure fee level;
- 6) draft and propose to the Government a document regulating the incentive measures for biofuel production, as well as a mandatory biofuel share in transport sector and the measures for reaching the share level;
- 7) draft and propose to the Government a document specifying the criteria, protection mode, conditions, deadlines and procedure for the establishment of an energy protectedvulnerable customer status;
- 8) draft and propose to the Government a document prescribing the method for definition of the highest main oil derivatives prices so as to prevent disruptions in the oil and oil derivatives market;
- 9) prescribe the manner and detailed conditions for issuing the energy permit, the requested elements and manner of the energy permit issuance and keeps a registry of energy permits;
- 10) prescribe the manner and detailed conditions for issuing, modification and revoking the license for performing energy activities;
- 11) prescribe the terms, conditions and the method for ensuring, using and replenishing the operational reserves of oil derivatives;
- 12) prescribes the terms, conditions and the manner of taking the proper professional exam;
- 13) pass technical regulations within the Ministry's competences;
- 14) prescribe the contents of the origin guarantee, issuance procedure, transfer and expiry;
- 15) prescribe in more detail the form and content of inspector's identity card;
- 16) prescribe conditions for the adoption of a document on exemption, request elements and pass a document on exemption pursuant to Article 118, 119 and 120 hereof;
- 17) prescribe deadlines, content and procedure for submission of data referred to in Article 171 hereof;
- 18) prescribethe manner for management, use and exchange of the data within the competence of the Ministry (information system);
- 19) give prior consent pursuant to Article 34 hereof;
- 20) monitor implementation of this Law and the regulations adopted thereupon;
- 21) represent the Republic of Serbia in international organisations and institutions in the energy field and ensures implementation of international agreements in the energy sector;
- 22) draft and propose to the Government the national action plans and monitors their implementation;
- 23) draft and propose to the Government a launch of a public tender for the construction of power generation facilities;
- 24) draft and propose to the Government a document determining other energy entity to perform energy operations of general interest in the area where the energy operation was performed by an energy entity with permanently withdrawn licence and defining the rights and duties of the energy entity;
- 25) propose a Prevention Action Plan and Crisis Plan referred to in Article 160, paragraph 2 and 3 hereof and adopt measures in case of general shortage;
- 26) decide on appeals pursuant to the provisions hereof;
- 27) decide on other issues as envisaged by this Law.

IV. ENERGY ACTIVITIES, LICENSES AND ENERGY PERMITS

1. Energy activities

Article 13

Energy activities, within the meaning hereof shall be the following:

- 1) electricity generation;
- 2) combined electricity and heat generation;
- 3) electricity transmission and transmission system management;
- 4) electricity distribution and distribution system management;
- 5) electricity supply;
- 6) public electricity supply;
- 7) electricity market organization;
- 8) oil derivatives production;
- 9) oil transport by oil pipelines;
- 10) oil derivatives transport by oil derivatives pipelines;
- 11) oil, oil derivatives and biofuel transport by other transportation means;
- 12) oil, oil derivatives and biofuel storage;
- 13) oil, oil derivatives, biofuels and compressed natural gas sale;
- 14) motor and other oil sale at supply stations for vehicles;
- 15) natural gas transport and transport system management;
- 16) natural gas storage and storage management;
- 17) natural gas distribution and distribution system management;
- 18) natural gas supply;
- 19) public natural gas supply;
- 20) heat generation;
- 21) heat distribution and supply;
- 22) biofuel production.

Activities from paragraph 1 subparagraphs 3), 4), 6), 7), 9), 10), 15), 16), 17), 19), 20) and 21) shall be activities of general interest.

2. Conditions for carrying out energy activities

Article 14

Energy activity can be carried out by a public company, company, and/or other legal entity or an entrepreneur enlisted in the proper registry and who has a license for carrying out energy activity, unless otherwise prescribed by this Law.

Entities from paragraph 1 of this Article shall perform energy activity from Article 13 paragraph 2 of this Law in accordance with law governing the position of public companies and performance of activities of general interest.

4. Unbundling of system operator and accounts

Article 15

The system operator that is a part of vertically or horizontally integrated company must be independent regarding legal form, organization and decision making process from other activities that are not related to management of transmission, transport or distribution system, and/or natural gas storage, whereas the ownership over the assets of the transmission, transport or distribution system does not have to be unbundled from the vertically integrated undertaking .

Independence of the system operator shall be achieved by implementation of the following measures:

- 1) persons in charge of system operator management cannot participate in the administrative bodies for vertically or horizontally integrated companies, which are directly or indirectly responsible for daily operation in the production activity, supply and other system operators;
- 2) persons in charge of operation of the system operator must have the right and efficient means for the decision making process, independently from the integrated company;
- 3) the system operator decides by himself on resources required for system management, maintenance and development, independently from the vertically integrated undertaking.

In case when the system operator is a part of vertically integrated undertaking, the mother business company can approve annual financial plans to the system operator and establish the limits of their indebtedness, but it does not give instructions for their daily operation.

Article 16

Cross-subsidies shall not be allowed within a vertically or horizontally integrated company between entities performing activities with regulated prices and those performing activities with free prices, as well as cross-subsidies among activities within the same entity, for the purpose of enabling completion and avoiding discrimination of users or system users groups.

For each activity performed, the system operator shall be obliged to comply with the obligations defined in Article 15 hereof.

Article 17

The system operator operating within the vertically integrated undertaking passes a Programme for the provision of a non-discriminatory behaviour including measures preventing non-discriminatory behaviour, personnel duties and rules for non-discrimination, efficient supervision and regular reporting and appoint a person responsible for this Program implementation.

The competent person referred to in paragraph 1 hereof is obligated to submit an annual report on the measures taken so as to provide the implementation of the Program referred to in paragraph 1 hereof, submit it to the Agency and publish it on the system operator or vertically integrated undertaking website.

On the basis of the report under paragraph 2 of this Article, the Agency may request a change of the programme under paragraph 1 of this Article.

Article 18

Provisions of Articles 15 and 17 shall not apply to operator of electricity and natural gas distribution system with less than 100.000 final customers connected to its system.

Article 19

Energy entity performing one or more energy activities with regulated prices or, in addition to those energy activities, also performing other energy related, and/or other activities that are not considered energy activities within the meaning hereof, shall keep separate accounts in its internal accounting for each energy activity and aggregately for other activities that are not considered as energy activities within the meaning hereof, in order to avoid discrimination, cross-subsidies and competition disturbances, and make an annual balance sheet and trading account for each activity individually, in accordance with this Law and laws regulating operations of business entities, accounting and audit.

Energy entity under paragraph 1 of this Article that is obliged to have a financial audit report in accordance with the law regulating accounting and audit shall be obliged to ensure the audit of annual financial reports that has to confirm compliance with principles of avoiding discrimination and cross-subsidies.

Energy entity under paragraph 1 of this Article shall be obliged to establish the rules, in its general act on accounting and accounting policies, regarding allocation of mutual balance sheet positions that will be applied when making the internal accounting calculations by activities.

System operators shall be obliged to provide the confidentiality of commercially sensitive and business data of energy entities and energy and energy sources' customers, as well as confidentiality of commercially sensitive data and information on its activities according to this Law and other regulations.

4. Licence

Article 20

Energy entity can begin performing energy activity on the basis of a license issued by the Agency, unless otherwise regulated by this Law.

The license shall be issued by a decision within 30 days as of the submission date of the request for licence issuance, if the conditions defined by this Law and regulations passed on the basis hereof are met.

The license particularly contains: name of the energy entity, energy activity, the list of energy facilities used for performing activities, technical characteristics of those facilities, data on the location, and/or the area where the energy activity will be performed and the period for which the licenses is issued, obligations rrelated to non-interrupted performance of activity transparency and reporting. .

An appeal to the decision under paragraph 2 of this Article can be submitted to the Ministry within 15 days as of the admission date of decision. The decision of the Ministry is final and an administrative dispute can be launched.

The license is not required for performing the following energy activities:

- 1) electricity generation in facilities with total approved connection power up to 1 MW;
- 2) electricity generation exclusively for own needs;
- 3) biofuel production of up to 1000 tonnes per year and biofuel production for own needs;
- 4) oil transport via oil pipelines exclusively for own needs;
- 5) oil derivatives transport via oil derivatives pipelines for own needs;
- 6) oil, oil derivatives and biofuel transport by other transportation means;
- 7) oil, oil derivatives and biofuel storage for own needs;
- 8) heat generation in facilities of total power up to 1 MWt and heat generation exclusively for own needs;
- 9) combined electricity and heat generation in thermal power plants – district heating plants in facilities of up to 1 MW of total approved electrical connection power and 1 MWt of total heat power as well as combined electricity and heat generation in exclusively for own needs;
- 10) retail trade in liquefied petroleum gas bottles.

Article 21

The license shall be issued for each energy activity individually.

The license shall be issued for the period of 10 years while the license for electricity production, combined electricity and heat energy production and heat energy production is issued for the period of 30 years.

The license validity period can be extended upon the request of the energy entity.

The request under paragraph 3 of this Article shall be submitted to the Agency, no later than 30 days prior to the license expiry date.

In the license validity period, an annual fee for the license use shall be paid, which is established by the Agency according to its passed criteria.

The license is non-transferable.

Article 22

The license shall be issued in the following cases:

- 1) if the applicant is registered for performing energy activity for which the license is issued;
- 2) if the energy facility is awarded with occupancy permit;
- 3) if energy facilities and other devices, installations or plants necessary for performing the energy activity meet the conditions and requirements defined by technical regulations, regulations on energy efficiency, regulations on fire and explosion protection, as well as regulations on environmental protection;
- 4) if the applicant meets prescribed conditions regarding professional personnel for performing technical management operations, operation and maintenance of energy facilities, and/or conditions regarding the number and professional expertise of employees for energy facilities maintenance jobs as well as jobs of the operators of these facilities;
- 5) if the applicant has financial sources necessary for performing energy activity;
- 6) if the manager, and/or members of the administrative bodies have not been lawfully convicted for criminal offences regarding performance of economic activity;
- 7) if the applicant is not banned from performing the activity, or if the legal consequences of the sentence have ceased;
- 8) if the applicant owns the evidence on legal basis of the usage of energy facility where the energy activity is performed;
- 9) if the process of insolvency and liquidation has not been initiated against the applicant;

In addition to conditions under paragraph 1 of this Article for performing the activities of general interest, the applicant must be established or entrusted with performing the activities of general interest in accordance with the regulations on performing activities of general interest.

In addition to conditions under paragraph 1 of this Article, for activities for which specific technical conditions have been prescribed, regarding trade in goods and services, the applicant must meet the conditions in accordance with those regulations.

In addition to the request for license issuance, the applicant shall submit the evidence on fulfilment of conditions under paragraphs 1, 2, and 3 of this Article.

The evidence on fulfilment of conditions under paragraph 1, items 3) and 4) and under paragraph 3 of this Article shall be the report of the inspector in charge.

Article 23

The professional competence under Article 22, paragraph 1, item 4) hereof, shall be tested by taking a professional exam.

The professional exam shall be taken before the commission formed by the Minister, and/or the head of the provincial body in charge of energy business for persons employed at the energy entity with the head office in the territory of the Autonomous Province.

The Ministry shall prescribe in more detail the conditions, programme and method of taking the exam under paragraph 2 of this Article, as well as the conditions for professional personnel under Article 22, paragraph 1, item 4) hereof.

Article 24

The license under Article 22 hereof shall be temporarily revoked from energy entities, if the energy entity:

- 1) ceases to meet one or more conditions under Article 22 hereof;
- 2) does not maintain the energy facilities in proper and safe condition and in accordance with technical regulations regulating the system use conditions;
- 3) does not meet its obligations established by the decision on license issuance;
- 4) does not determine the regulated prices of energy, energy sources, and/or services in accordance with methodologies, i.e. methodologies and tariff systems for heat energy;
- 5) does not keep separate accounts in accordance with Article 19 hereof;
- 6) does not comply with other prescribed conditions for performing energy activities defined by this Law and regulations passed on the basis hereof.

The Agency shall take a decision on temporary revocation of the license under paragraph 1 of this Article and establish a deadline for elimination of defects causing the temporary license revocation, which cannot be shorter than 30 days or longer than 90 days..

A decision on temporary license revocation due to failure to meet conditions under Article 22, paragraph 1, items 3) and 4) and paragraph 3 hereof shall be taken by the Agency at the proposal of the inspector in charge.

If the energy entity has eliminated the defects, within the deadline defined by the decision under paragraph 2 of this Article, due to which the license has been temporarily revoked, the decision on temporary revocation of the license shall be abolished and if the mentioned entity has not eliminated the defects, the Agency shall pass a decision on permanent license revocation.

The license for the performing the same energy activity can be issued to the applicant with revoked license, upon the expiry of three years as of the date of revocation, if he meets the conditions under this Law and regulations passed on the basis hereof

An appeal can be submitted against the decision under paragraphs 2 and 4 of this Article to the Ministry within eight days as of the submission date of decision.

Article 25

If operation termination of the energy entity with temporary revoked license could endanger regular and secure energy supply, lives and health of people or cause severe economic disturbances, the Agency may, after obtaining the Ministry's and competent inspection's opinion, by a decision on temporary license revocation under Article 24, paragraph 2, grant the energy entity continuance of performing energy activity, by the time of providing the conditions for elimination of damaging consequences of the termination of operation of the energy entity, but not longer than the deadline defined under the decision on temporary license revocation.

If the termination of performing the energy activity of general interest by the energy entity with permanently revoked license could endanger regular and secure energy supply, lives and health of people or cause severe economic disturbances, the Government may, at the Minister's proposal, by a special act, appoint another energy entity, with a license for performing the same energy activity, to perform the energy activity in the area where the entity with permanently revoked license has performed that energy activity.

In case under paragraph 2 of this Article, the act of the Government shall define the rights and obligations of the energy entity appointed for performing the energy activity of general interest in the specified area, the time period for performance of the activity, as well as the rights of the energy facility owner whose license has been revoked, if there is a need for the usage of his energy facility during the performance of the energy activity by the entity appointed by the Government's act.

Article 26

An energy entity with issued license for performing energy activity can submit a request for its revocation during the license validity period.

The energy entity with issued license for performing energy activity shall be obliged to submit a request for change of the decision on license issuance, in case of changes regarding energy facilities used for the performing the energy activity, as well as in case of changes regarding technical and other regulations.

In case of changes regarding the energy facilities used for the performing the energy activity, the system operators as well as the energy facility for oil transport by oil pipeline and for oil derivatives transport by product line shall submit the request under paragraph 2 of this Article, once a year.

The Agency shall take a decision on the request under paragraphs 1 and 2 of this Article, no later than 30 days as of the submission date of request.

An appeal against the decision under paragraph 4 of this Article can be submitted to the Ministry within 15 days as of the admission date of decision.

The decision of the Ministry is final and an administrative dispute can be launched.

The license shall cease to be valid in compliance to the law in case of operation termination of a legal entity, and/or entrepreneur.

The Ministry shall prescribe in more detail the conditions for: the issuance, changes and revocation of the license; contents of the request for license issuance, professional personnel under Article 22, item 4) hereof, and energy facilities and the method of keeping the registry of issued and revoked licenses.

6. Construction of energy facilities

Energy permit

Article 27

Energy facilities shall be constructed in accordance with the law regulating spatial planning and construction of facilities, technical and other regulations, and with previously obtained energy permit issued in accordance with this Law.

The energy permit shall be obtained prior to construction of the following facilities:

- 1) facilities for electricity generation with power equal to, or over 1 MW;
- 2) facilities for combined electricity and heat generation in thermal power plants - district heating plants, in facilities of 1 MW or bigger of electricity power and of 1 MWt of total heat power or bigger;
- 3) facilities for electricity transmission and distribution of electricity voltage of 110kV and higher;
- 4) facilities for oil derivatives production;
- 5) direct lines and gas pipelines;
- 6) oil pipelines and oil derivatives pipelines, oil storage facilities and total reservoir space for oil derivatives larger than 50 m³;
- 7) facilities for natural gas transport, facilities for natural gas distribution and facilities for natural gas storage;
- 8) facilities for heat generation with power equal to, or over 1 MWt;
- 9) facilities for biofuel production with capacity of over 1000 tonnes per year.

The energy permit for facilities under paragraph 3, item 3) of this Article can be issued only to an energy entity having a license for performing the activity of electricity transmission

and transmission system management, and/or electricity distribution and distribution system management.

The energy permit for the construction of direct lines and direct gas pipelines under paragraph 2, item 5) of this Article can be issued in case of denial of system access or initiation of settling the dispute on system access.

The issuance of an energy permit for the construction of a direct line can be denied to the extent the construction of the direct line would endanger performance of a public interest operation. Substantiated reasons must be given for any such refusal.

Energy permit referred to in paragraph 2, item 5 hereof can be issued to an energy entity performing the activity of production of electricity and natural gas or the activity of supply of electricity and natural gas as well as to an final customer so as to connect their facilities for the purpose of energy supply.

For energy facilities constructed on the basis of assigned concession for construction of energy facility in a certain area, obtaining energy permit shall not be necessary within the meaning hereof.

Article 28

The procedure for issuing the energy permit shall commence with the request for energy permit issuance, which can be submitted by domestic and foreign legal entities or natural persons, or entrepreneurs.

The energy permit shall be issued under the same conditions to domestic and foreign legal entities or natural persons or entrepreneurs, following the method and procedure defined by this Law and other laws, in compliance with principles of non-discrimination and application of criteria that have to be objective and public.

Article 29

The energy permit shall be issued by the Ministry.

The issuance of energy permits under Article 27, paragraph 2, item 8 and 9 hereof shall be entrusted to a local self-government unit for facilities constructed in its territory.

Article 30

For issuing the energy permit, the following conditions shall be met:

- 1) reliable and secure functioning of the energy system;
- 2) conditions for establishing the location and land use;
- 3) energy efficiency;
- 4) conditions for primary energy sources use;
- 5) protection at work and safety of people and assets;
- 6) environmental protection;
- 7) financial capability of the applicant to carry out the energy facility construction;
- 8) capacity contribution for electricity generation in generating the total share of energy from renewable energy sources in final gross energy consumption in accordance with the National Action Plan;
- 9) capacity contribution for electricity generation to reduction of emissions;
- 10) capacity contribution for natural gas transport or storage to increase supply safety;

Evidence on ownership rights, and/or land lease rights, where the energy facility construction is planned, shall not be a condition for issuing the energy permit.

Article 31

The request for energy permit issuance particularly contains the following data:

- 1) data on the applicant;
- 2) data on the energy facility;
- 3) data on the investment value;
- 4) data on the method of providing financial sources;
- 5) data on the estimated operational lifespan of the facility, as well as the method of recovery of the location following the end of the facility's operational lifespan;
- 6) data on adjustment to spatial plans in accordance with the law governing conditions and manner of use of space, arrangement and use of construction land and construction of facilities;
- 7) data on the deadline for the energy facility construction completion.

Consent of the Ministry competent for mining and geology shall be attached to the request referred to in paragraph 1 of this Article in cases when construction of energy facility is planned on an exploitation field.

More detailed conditions for issuing the energy permit, the contents of the request for energy permit issuance, depending on the type and purpose of the energy facility, the method for issuing the energy permit and the contents of the registry for issued energy permits and the registry for energy permits that have ceased to be valid, as well as more detailed conditions for giving consent for energy facilities for electricity generation for which the energy permit is not issued, shall be prescribed by the Ministry.

Article 32

The energy permit shall be issued by a decision within 30 days as of the submission date of request, if the conditions defined by this Law and corresponding regulations are met.

An appeal against the decision under paragraph 1 of this Article can be submitted to the Government, or to the Ministry in cases under Article 29, paragraph 2 hereof, within 15 days as of receipt of decision.

The decision of the Government or the Ministry is final and an administrative dispute can be launched.

The energy permit shall be issued with the validity period of three years as of its issuance date.

At the request of the energy permit holder, the Ministry, and/or a competent body of the local self-government unit may extend the energy permit validity period for another year at most, if the conditions for issuing the energy permit defined by this Law are met. The request for extension shall be submitted no later than 30 days prior to the permit expiry date.

Article 33

If modifications in relation to the issued energy permit occur during the energy permit validity period, the permit holder shall be obliged to submit a request for the energy permit modification.

The documentation with modifications that have occurred during the energy permit validity period shall be attached to the request under paragraph 1 of this Article.

The energy permit is not transferable.

Article 34

In cases of construction of energy facilities the power of which is under 1MW that use water as primary energy resource, for which energy permit is not issued, prior to obtaining

consent for construction it shall be necessary to obtain consent of the Ministry stating that construction of such objects enables efficient and rational use of primary energy sources based on non-discriminatory criteria established and published by the Ministry.

Deciding on request for granting consent referred to in paragraph 1 of this Article, the Ministry shall assess whether the energy facility meets the criteria referred to in paragraph 1 of this Article.

Deadline for deciding on request shall be 30 days from the submission of request.

Public tender Article 35

Construction of facility for electricity generation can be approved after the completion of public tender procedure, if safe and regular electricity supply cannot be ensured by issuing energy permits or undertaken energy efficiency measures.

The Government, at the proposal of the Ministry, shall decide on the announcement of public tender, in accordance with the law.

The decision referred to in paragraph 2 of this Article shall particularly contain:

- 1) the location where the facility will be constructed;
- 2) type of primary energy;
- 3) the generation method and conditions for electricity takeover;
- 4) conditions regarding environmental protection;
- 5) conditions regarding protection of cultural monuments if these exist on the location where facility is to be built;
- 6) conditions regarding energy efficiency;
- 7) incentive measures for some primary energy types and production capacity installed power;
- 8) conditions regarding facility termination of operation;
- 9) bid submission deadline.

The Ministry shall collect bids, assess and rank them and forward to the Government a report with a proposal for the most favourable bid.

The public tender procedure, conditions for participation in tender and criteria for bid selection must be transparent and non-discriminatory.

The decision on announcing the public tender shall be published in the "Official Gazette of the Republic of Serbia".

V. ENERGY AGENCY OF THE REPUBLIC OF SERBIA

1. Status

Article 36

The Agency is a regulatory body established so as to improve and direct electricity and natural gas market development on the basis of principles of non- and efficient competition, by creating a stable regulatory framework, as well as for performing other activities defined by this Law.

The Agency is an autonomous legal entity and functionally independent from any governmental body, as well as from all organizations and persons engaged in energy activities.

The Agency shall have the status of a legal person with rights, obligations and responsibilities defined by this Law, laws and other regulations regulating business activities of business companies, as well as the Statute of the Agency (hereinafter referred to as: Statute).

The Agency shall operate under the name of the Energy Agency of the Republic of Serbia.

The head office of the Agency is in Belgrade.

For the purpose of more efficient performance of operations within its competences, the Agency may organize performance of operations in locations outside its head office, by the Council's decision, following the method and under conditions defined in the Statute.

2. Council of the Agency

1) Members of the Council

Article 37

The Agency's body is the Council of the Agency (hereinafter referred to as: Council) that passes all decisions on matters within the competences of the Agency by majority of votes from the total number of the Council members, unless otherwise prescribed by this Law and the Statute.

The Council shall consist of a President and four members, elected among prominent experts in the energy field.

The Council President shall represent the Agency, manage Council activities, take all decisions on matters within the Agency's scope of work, defined in Article 46, paragraph 1, item 8) hereof, organize and manage Agency's operations, propose decisions and other acts adopted by the Statute and takes care of their enforcement, have managerial powers in matters regarding exercising personnel rights and obligations, and perform other activities in accordance with the law, the Statute and Council authorization.

The President and members of the Council shall answer for their work and the work of the Agency to the National Assembly, and at least once a year submit a work report.

The work report shall contain data on the Agency work in the previous year, its financial operations and condition of the energy sector of the Republic of Serbia within the Agency's competences.

The report under paragraph 5 of this Article shall be submitted to the National Assembly, no later than 30th April every year.

2) Election of members and method of operation of the Council

Article 38

The President and members of the Council shall be elected by the National Assembly, on the basis of a public announcement, announced and conducted by the Commission for election of candidates (hereinafter referred to as: Commission), formed by the Government, at the proposal of the Ministry.

The Commission shall have five members and consist of two Government representatives and three prominent experts with over 15 years of work experience in the energy field.

Commission member cannot be a person who is employed by an energy entity.

The Government shall establish the proposal for election, on the basis of the Commission's opinion and submit it to the National Assembly for adoption..

Article 39

Only citizens of the Republic of Serbia with a university degree of technical, legal or economic faculties and at least 10 years of experience in the energy field can be elected as the President and members of the Council.

The President, members of the Council and the Agency employees shall exercise their employment rights and obligation based on general labour regulations.

Article 40

The following persons cannot be elected as the President and members of the Council:

- MPs of the National Assembly, MPs of the Assembly of the Autonomous Province, members of boards, other elected or appointed persons, as well as political parties' officials;
- owners or co-owners of energy entities, as well as persons whose spouses, children or direct relatives, regardless of degree of consanguinity, or collateral relatives, including second degree of consanguinity, owners or co-owners of energy entities;
- persons lawfully convicted for criminal offenses against official duty, corruption, fraud or other criminal offences rendering them unfit to discharge the functions they are elected to.

3. Term of office and its termination

Article 41

The President and members of the Council shall be elected for the period of five years, but regarding the first election, in accordance with this Law, term of office of two Council members shall be for three years, two Council members for four years, and the President for five years.

The President and members of the Council cannot be elected more than two times consecutively.

The procedure for the election of persons under paragraph 1 of this Article shall be carried out no later than 90 days before the term of office expiry of the previous President, and/or member of the Council.

Article 42

The term of office of the President and members of the Council shall terminate in the following cases:

- 1) expiry;
- 2) release from duty for reasons envisaged by the law;
- 3) letter of resignation submitted to the National Assembly, in the written form, in which case the term of office of the President or member of the Council shall terminate on the day of service of resignation;
- 4) death of the Council member.

Occurrence of reasons for term of office termination under paragraph 1, items 2) and 3) of this Article shall be stated by a competent assembly board.

Proposal to the National Assembly for the release from duty under paragraph 1, item 2), can be submitted by the National Assembly board competent for energy issues, Council or at least twenty MPs, in the following cases:

- if the he/she is incapable of performing duty as president or member of the Council in the period longer than six months due to illness or other reason;
- if he/she is lawfully sentenced to imprisonment or convicted for criminal offence against official duty, fraud, corruption, theft or other similar criminal offence which makes him/her unworthy of discharging this function;

- if it is established during the selection procedure that the candidate has given false information about himself/herself or failed to provide information on circumstances relevant for establishing the proposal for his/her election;
- if, without good reason, he/she refuses or fails to perform duty of the President, and/or member of the Council, during the period of at least three consecutive months, or at least six months with interruptions, during a year;
- if it is established that during his/her term of office he/she has violated the rules on the conflict of interest defined by the law.

A decision on release from duty can only be made on the basis of reasoned proposal, after the procedure carried out, where all relevant circumstances have been established and during which the President, and/or member of the Council, against whom the procedure has been initiated, has been allowed to give his/her statement on all circumstances.

The reason for the release from duty of the President, and/or member of the Council, cannot be political or other belief, and/or membership in a political organization.

Article 43

The Council President and member whose terms of office expired in case of Article 42 paragraph 1 item 1 and Article 42 paragraph 3 item 1) hereof is entitled to a compensation of salary for six months since the date of expiry of his term of office on the level of the salary for the month preceding the month of expiry.

The right for compensation referred to in paragraph 1 hereof is exercised upon personal request and ceases to be valid before a one-year period if the Council President or member becomes employed or exercises the right to retirement in accordance with regulations governing pension and disability insurance.

4. Conflict of interest

Article 44

Provisions of the law referring to prevention of the conflict of interest in discharging public functions shall accordingly apply to the President and members of the Council.

5. Statute and other general acts

Article 45

The Council shall adopt the Statute, an act defining internal organization and method of operation of the Agency, Rules on operation and other general acts.

The National Assembly shall give its consent to the Statute.

6. Operations of the Agency

Article 46

The Agency shall perform the following operations:

1) adopt methodologies for the following:

- determination of electricity for public supply;
- determination of natural gas prices for public supply;
- determination of the price for access to electricity transmission system;
- determination of the price for access to electricity distribution system;
- determination of the price for access to natural gas transport system;
- determination of the price for access to natural gas distribution system;
- determination of the price for access to natural gas storage;
- determination of the price for access to oil transport system via oil pipelines and oil derivatives transport system via oil derivatives pipelines;

- determination of the connection costs for connection to the transmission, transport and distribution systems of electricity;
 - determination of the connection costs for connection to the transmission, transport and distribution systems of natural gas;
- 2) pass rules on:
- change of suppliers and
 - monitoring technical and commercial indicators and regulation of electricity and natural gas delivery and supply quality;
- 3) issue licences for energy operations and adopt a document on licence withdrawal, under conditions prescribed by this Law, except for the operations in the field of heat energy, and keep records of issued and withdrawn licences;
- 4) adopt a document prescribing the criteria and benchmarks for the determination of the level of licence fee;
- 5) determine:
- system services prices referred to in Article 69 hereof and publish them and
 - the level of licence fee referred to in Article 21 hereof;
- 6) give consent to:
- Rules on operation of electricity transmission system;
 - Rules on allocation of cross-border transmission capacities;
 - Rules on operation of natural gas transport system;
 - Rules on operation of electricity distribution system;
 - Rules on operation of natural gas distribution system;
 - Rules on operation of oil transport system via oil pipelines;
 - Rules on operation of derivatives transport system via oil derivatives pipelines;
 - Rules on operation of electricity market;
 - Rules on operation of organized electricity marketRules on operation of natural gas storage system;
 - development plan for electricity transmission and distribution system;
 - development plan for natural gas transport;
 - program for non-discriminatory behaviour.
- 7) approve regulated prices, pursuant to the Article 64 hereof;
- 8) decide upon an appeal against:
- an act of system operator on denial, and/or failure to make a decision upon request for system connection;
 - an act of an energy entity for oil transport through oil pipelines or an energy entity for oil derivatives transport through product lines on denial of system access.
- 9) give its opinion on exemption from access rights to the regulated access to the system referred to in Article 118, 119 and 120 hereof and
- 10) Decide on other issues regulated by this Law.

Besides the activities referred to in paragraph 1 hereof, the Agency shall have the authority to:

- supervise the implementation of methodologies and prices approved pursuant to this Law;
- pass instructions and recommendations and give guidelines for implementation of methodologies and other acts for the adoption of which it is authorized;
- determine in more detail the method, procedure and deadlines for submission of data and documentation necessary for the operation of the Agency;

- determine in more detail the manner, procedure and deadlines for the bookkeeping required for regulation and for carrying out procedures for accounts unbundling and other procedures defined by the law;
- request amendments of the rules referred to in paragraph 1 item 6 hereof and other documents pursuant to the provisions hereof;
- request from energy entities to submit data and documentation necessary for performing operations of the Agency defined by this Law, no later than eight days as of the admission date of the request.

The Agency shall be obliged to ensure, in accordance with the law and other regulations, the confidentiality of commercial and other confidential business data submitted for performing operations within its competences.

Operations under paragraph 1, items 3 and 8 hereof shall be performed by the Agency as entrusted operations.

Article 47

The Agency shall ensure non-discriminatory system access, as well as effective competition and efficient functioning of electricity and natural gas market.

While performing the operations referred to in paragraph 1 hereof, the Agency follows:

- 1) efficient unbundling of accounts of licensed energy entities,
- 2) fulfilment of energy entities' obligations prescribed by this Law;
- 3) application of rules on allocation of cross-border transmission capacities in cooperation with regulatory bodies of other countries;
- 4) application of mechanisms for removal of congestions in the transmission i.e. transport system;
- 5) the time necessary for the system operators to perform the connection to the system, and/or repair a malfunction in case of delivery interruption;
- 6) publishing data by the operator of the transmission and transport system, in relation to cross-border capacities and system use;
- 7) method of system reserves use;
- 8) conditions and prices for connection of new electricity producers to the system so as to provide objectivity, transparency and non-discrimination, particularly taking into account the costs and benefits from different technologies for electricity production from renewable energy sources and combined electricity and heat energy production;
- 9) how the systems operators and the energy entity, performing the activity of oil transport via oil pipelines, and/or oil derivatives transport via oil derivatives pipeline, carry out their obligations defined by the Law;
- 10) transparency and competition level, in cooperation with bodies in charge of competition operations.
- 11) .

If, in performance of operations referred to in paragraph 1 of this Article the Agency establishes that regulations are not applied, it shall take measures in accordance with this Law..

7. Funding of the Agency

1) Financial plan

Article 48

The Agency shall pass a financial plan used for establishing total revenues and expenditures of the Agency, including the contingency fund as well as elements for comprehensive understanding of wage and employment policy in the Agency.

The National Assembly shall give consent to the financial plan.

Financial plan shall be submitted to the National Assembly, no later than the end of October of the current year for the following year.

After obtaining the consent of the National Assembly, the financial plan shall be published in the "Official Gazette of the Republic of Serbia".

If the annual accounting of the Agency's revenues and expenditures establishes that total Agency's revenues exceed total expenditures incurred, the fund difference shall be transferred to the financial plan as the revenue for the following year, with adjustments of the sources and level of revenues for the following year with realistic expenditures of the Agency for the given year.

All accounting of the Agency's revenues and expenditures shall be the subject of annual audit by a competent auditor.

2) Funding sources

Article 49

The Agency shall be financed by means of fees paid for licences for performing energy activities, a part of the price for system access determined by the methodologies referred to in Article 46 paragraph 1 item 1 indents 3-8, as well as other revenues made in performing operations within its competency in accordance with the law.

The Agency may be funded by donations, except from donations of energy entities or persons related in any way to those entities.

8. Transparency of the Agency's operation

Article 50

The Agency shall ensure the transparency of its operations and availability of information of public interest to interested entities with business or other legal interest, and which are not confidential in accordance with the regulations and acts of the Agency.

9. Relations of the Agency with other bodies and international organizations

Article 51

While carrying out the operations for which it is established by Law, so as to exchange experience and improve its work, the Agency shall cooperate with state bodies and organisations and other bodies and organisations, associations for consumer protection, organisation dealing with competition protection and other regulatory bodies.

The Agency shall contribute to the development of the regional energy market and to creation of a level playing field by cooperating with the European authorities in a transparent manner, as well as with other international organisations in line with the Law and ratified obligations of the Republic of Serbia.

VI ENERGY FROM RENEWABLE ENERGY SOURCES AND INCENTIVE MEASURES

1. National objectives and the plan for use of renewable sources

Article 52

The use of energy from renewable sources is in the interest of the Republic of Serbia.

At the Ministry's proposal, the Government shall adopt the National Action Plan that determines the objectives of use of renewable energy sources for the period of minimum 10 years.

The objectives referred to in paragraph 2 of this Article shall be established based on energy needs, economic potential and obligations of the Republic of Serbia undertaken by ratified international agreements.

The National Action Plan for the use of renewable energy sources, referred to in para. 2 of this Article, shall contain the following:

- 1) share of energy from renewable energy sources in total gross final energy consumption;
- 2) share of energy from renewable energy sources in total electricity consumption;
- 3) share of energy from renewable energy sources in total energy consumed for heating and cooling;
- 4) share of energy from renewable energy sources in total energy consumed in all means of transport;
- 5) timeline for reaching the shares referred to in paras. 1, 2, 3 and 4 of this Article by years;
- 6) measures and estimated financial means required for reaching the target shares of energy from renewable energy sources;
- 7) carriers of activities and deadlines for implementation of planned activities.

National Action Plan must be harmonised with regulations governing energy efficiency and reduction emission of gasses causing greenhouse effect.

The Ministry shall monitor implementation of the National Action Plan and submit an annual report on its implementation to the Government.

2) Guarantee of origin

Article 53

A guarantee of origin is issued by the transmission system operator at the request of producers of electricity from renewable energy sources, producers of heating and cooling energy from renewable energy sources and producers of electricity and heat from combined generation with high level of use of primary energy, based on data from the operation to whose system the producer's facility is connected, public supplier and statement of the applicant on use of investment support.

The guarantee of origin shall be issued for the standardized quantity of produced energy of 1 MWh.

The guarantee of origin shall not be issued more than once in the given period for the same quantity of produced energy.

Guarantee of origin shall be a document in electronic form.

The validity period of the guarantee of origin shall be one year from the issue date.

The guarantee of origin is a transferable document.

Article 54

The guarantee of origin for the energy produced from renewable energy sources shall contain the following:

- 1) the identity, location, type and capacity of the installation where energy was produced;
- 2) the date on which the installation became operational;
- 3) information on whether the guarantee of origin is issued for electricity or heating and cooling energy
- 4) dates of the beginning and end of the production of energy for which guarantee of origin is issued,
- 5) ;
- 6) ;
- 7) data from applicant's written statement on whether investment support from national funds was used in construction of the production facility and the type of such support,;
- 8) ;
- 9) the date and country of issuing and a unique identification number.

In addition to the data referred to in paragraph 1 of this Article, the guarantee of origin for energy produced in the facilities for combined electricity and heat generation with high level of use of primary energy shall also contain the following:

- 1) lower calorific value (LCV) of the fuel used for generation of the electricity for which the guarantee of origin is issued;
- 2) purpose of the heat produced in a co-generation plant that produces heat and electricity for which the guarantee of origin is issued;
- 3) primary energy savings in the process of generation of electricity for which the guarantee of origin is issued.

The register of issued guarantees of origin shall be kept by the transmission system operator.

The Ministry shall stipulate in more detail the contents of the guarantee of origin, the procedure of its issuance, transferring and expiration of the guarantee of origin, as well as the manner in which to submit the data on the produced electricity measured at the point of entry to a transmission system, that is, distribution system.

Article 55

Guarantees of origin issued in other countries shall also be valid in the Republic of Serbia under reciprocity conditions and in line with the ratified international agreement. The registry referred to in Article 54 paragraph 3 hereof shall also include guarantees of origin issued pursuant to paragraph 1 of this Article, with a note on being issued in a foreign country.

3) Privileged electricity producers

Article 56

Energy entities may, in accordance with this law, acquire the status of a privileged producer of electricity (hereinafter: privileged producer) upon meeting the following conditions:

- 1) using renewable energy sources in the process of electricity generation in an individual power plant other than the hydroelectric power plant the installed power of which exceeds 30MW;
- 2) simultaneously generating electricity and heat in an individual co-generation plant with high level of efficiency of primary energy in an individual production facility the installed power of which does not exceed 10 MW;
- 3) being connected to an electricity transmission system, that is, electricity distribution system;

- 4) having a special measuring point separated from the measuring points at which the quantity of electricity produced in other technological processes is measured;
- 5) concluding an agreement on the sale of electricity or heat (for combined heat and electricity generation plants), unless they use heat energy for own purposes;
- 6) in regards to power plants using wind and solar energy the installed power is lower than the free capacity, that is, provided the request to acquire the status of privileged producer was filed for the part of installed power which is smaller then or equal to free capacity.

Free capacity referred to in paragraph 1 of item 6 of this Article represents the difference between the maximum power for which the incentive measures referred to in Article 59 thereof is determined and the sum of installed powers for the same type of power plants of energy entities who have acquired the temporary status, that is, the status of a privileged producer.

The status of a privileged producer is determined by the Ministry's decision, which shall be promulgated within 30 days from the day of filing the request, provided all conditions stipulated by this law and regulations promulgated on the basis hereof have been met.

Before acquiring the status of a privileged producer, an energy entity may be granted, by the Ministry's decision, the temporary status of a privileged producer if it has obtained a building permit, meets the conditions referred to in paragraph 1 of items 1, 2 and 6 of this Article have been met, and provided it had obtained pecuniary deposit or bank guarantee amounting to 2% of value of the investment.:

- 1) .

Temporary status of a privileged producer referred to in paragraph 4 of this Article is determined at energy entity's request and may last for three years from the day the ruling is passed at the longest..

If an energy entity acquires the status of a privileged producer within three years, it may file a request for extension of the temporary status for one year at the longest if it provides evidence of having filed a complete request for technical inspection of the facility.

If the energy entity acquires the status of privileged producer in the time limit referred to in paragraphs 5 and 6 of this Article, it shall be entitled to incentive measures that were valid on the day of promulgation of the decision determining the temporary status of a privileged producer.

An appeal against the decision referred to in paragraphs 3 and 4 of this Article may be submitted to the Government within 15 days from the day of service of the decision.

The Government's act shall stipulate in more detail the contents of the request for the privileged producer status acquisition, types of evidence on meeting the conditions for acquiring this status, minimum value of the level of use of primary energy in combined heat and electricity generation plants, as well as maximum power for which the incentive for wind and solar power plants is determined.

4) Privileged heat producers

Article 57

Privileged heat producers are producers that use renewable energy sources in the heat generation process and meet the energy efficiency requirements in the process.

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

Article 58

A competent body of the local self-government unit shall keep the registry of privileged heat producers, which shall particularly include the following data: data on heat generation facilities, their locations, installed power of the heat plant, projected exploitation time, terms of

construction and exploitation for that facility, type of the primary source used and entities performing the energy activity of heat production in these facilities.

3. Incentive measures for use of renewable energy sources in electricity generation

Article 59

Incentive measures, in accordance with this law, shall include the obligation to purchase electricity from a privileged producer and feed-in tariffs for purchasing that energy and the period of validity of the obligation to purchase electric energy and taking over balance liability. .

Public supplier shall be obliged to purchase electricity from a privileged producer based on a contract on purchase of electric energy in accordance with this Law and regulations passed on the basis of this Law.

At the request of an energy entity that acquired the status of a privileged producer, public supplier shall be under the obligation to conclude a pre-contract on purchase of electric energy.

Public supplier shall not be under the obligation to conclude a contract on purchase of electric energy from a privileged producer in accordance with the pre-contract referred to in paragraph 3 of this Article if the energy entity does not acquire the status of a privileged producer in accordance with this Law.

At the Ministry's proposal, the Government shall prescribe incentive measures for electricity generation from renewable energy sources and purchase of that energy, depending on the type and power of a plant, prices for purchase of electricity from privileged producers and their validity period, obligations related to balance responsibility, contents and duration of power purchase agreements, manner of calculating the incentive fee, and distribution of funds on that basis.

Upon the proposal of the Ministry, at the latest until December of the current year for the following one, the Government shall adopt a document stipulating the level of the fee referred to in Article 3 hereof.

Article 60

A privileged producer is entitled to the following:

- 1) incentive measures referred to in Article 59 hereof;
- 2) priority in injection of the total produced electricity into a transmission or distribution system, except when the safety of operations of these systems is endangered;
- 3) other rights in line with this law and the act regulating the acquisition of the privileged producer status and other laws and regulations on taxes, customs and other duties, that is, subsidies and other incentive measures, environment protection and energy efficiency.

Article 61

An energy entity shall lose the status of a privileged producer in the following cases:

- 1) if the decision on the status acquisition has been reached based on untrue data;
- 2) if it is determined that the characteristics of the facility have changed due to lack of maintenance of technical-technological properties;

- 3) if the privileged producer fails to fulfil his obligations toward the public supplier purchasing electric energy from the privileged producer and towards the transmission or distribution system operator; if the producer's license has expired in cases stipulated by this law;
- 4) if the producer produces energy contrary to the conditions under which it has acquired the privileged producer status.

The Ministry shall promulgate the decision on the loss of the privileged producer status.

The Ministry shall keep the registry of privileged producers, which shall also contain the data on the producers with the temporary status of a privileged producer and the data on privileged producers who have lost that status.

4. Incentive measures for use of renewable energy sources in heat generation

Article 62

Privileged heat producers, i.e. producers of energy for heating and cooling purposes shall be entitled to incentive purchase price and other incentive measures.

An act of the relevant body of the local self-government unit shall stipulate in more detail incentive measures for heat production using renewable energy sources.

Privileged heat producers shall be entitled to subsidies, tax, customs and other reliefs, pursuant to the law and other regulations on taxes, customs and other duties.

5. Incentive measures for biofuel production

Article 63

Government shall prescribe the mandatory share of biofuel in transport sector and the measures for achieving such share .

Government shall prescribe incentive measures for production of biofuel.

Upon the proposal of the Ministry and the ministry competent for environment, the Government shall establish criteria for sustainable production of biofuel.

VII PRICES OF ENERGY, ENERGY CARRIERS AND SERVICES

Article 64

Prices of energy, energy carriers and services rendered by energy entities in performing their energy activities shall be either regulated or free.

Regulated prices are the following:

- prices of electricity and natural gas for the public supply;
- prices of access to the electricity transmission system;
- prices of access to the electricity distribution system;
- prices of access to the natural gas transport system;
- prices of access to the natural gas distribution system;
- prices of access to the natural gas storage system;
- prices of access to the system of transport of oil via oil pipeline;
- prices of access to the system of transport of oil derivatives via oil derivatives pipeline;

Apart from the prices referred to in paragraph 2 hereof, the following prices are also regulated:

- prices of electricity for the needs of the system balancing which are calculated in the manner determined by the Market Code
- prices of natural gas for the needs of the system balancing which are calculated in the manner determined by the rules on transport system operations and
- prices of system services referred to in Article 69 hereof which are determined by the Agency.

Prices of delivered heat, that is, rendered services, shall be regulated by the relevant bodies of the local self-government, town, that is, the City of Belgrade.

In order to prevent disturbances in the oil and oil derivatives market or eliminate harmful effects of disturbances in the oil and oil derivatives market, the Government may prescribe the manner of determining the highest prices of main oil derivatives, exclusive of fiscal taxes.

Regulated prices shall be published.

Article 65

Regulated prices referred to in Article 64, paragraph 2, shall be determined based on the system methodologies adopted by the Agency.

Methodologies referred to in paragraph 1 hereof define the following:

- conditions and manner of determining the maximum amount of revenues of energy entities;
- Criteria and rules for allocation of revenues for separate customer categories and groups
- Elements for calculation and the procedure for calculation of overtaken electricity, i.e. natural gas and services
- criteria and conditions under which the system operators are under the obligation to change the prices.

The maximum amount of revenues referred to in paragraph 2 indent 1 of this Article shall be determined so as to enable coverage of the reasonable operating costs, as well as an adequate return on capital engaged and investments in performing the regulated energy activity.

The methodology may define different tariffs, depending on the quantity of taken energy and terms of delivery, power, that is, capacity, seasonal and daily delivery rates, injection/withdrawal points, measuring method, and on other characteristics.

Article 66

Regulated prices shall be based on the following principles:

- coverage of reasonable costs and return on assets engaged and investments in performing the regulated activity, providing short-term and long-term supply security, that is, sustainable system development;
- encouragement of economic and energy efficiency;
- non-discrimination, that is, equal conditions for suppliers, consumers and other system users;
- prevention of cross-subsidies between certain activities performed by energy entities and between certain consumers and groups of consumers.

Article 67

The Agency shall give its consent for acts on prices referred to in Article 65, paragraph 2 hereof, which are adopted by energy entities.

The Agency shall define the type, method and deadlines for data to be submitted by energy entities with the act on prices referred to in paragraph 1 of this Article.

The Agency may initiate changes to prices with the energy entities once the conditions for doing so are met..

VIII ELECTRICITY

1. Electricity generation

Article 68

Electricity generation shall include production in hydro power plants, steam power plants, CHP plants and plants using renewable energy sources (hereinafter: power plants).

In accordance with this Law, an energy entity performing the activity of electricity generation (hereinafter: Electricity producer) shall be entitled to the following:

- 1) to use energy sources for electricity generation it deems most efficient in compliance with conditions stipulated by this Law and other regulations;
- 2) to sell produced electricity;
- 3) to use the electricity transmission and distribution system under conditions stipulated in this Law and the rules on the operation of transmission and distribution systems.

Electricity producer is obligated to:

- 1) fulfill conditions listed in the license for energy activity performance;
- 2) maintain production capacities in proper condition, ensure their constant operational readiness and safe use in line with technical and other regulations and standards;
- 3) abide by the regulations and rules referring to the operation of the transmission and distribution system and market, as well as regulations referring to the protection of competition;
- 4) offer system services to the transmission or distribution system operator, in line with technical capacities and Transmission and Distribution Grid Codes and Market Code; conclude a contract on the provision of system services with the transmission and distribution system operator; offer the transmission system operator all available capacities for the needs of balancing and ensuring secure system operation in line with technical capacities and Transmission and Distribution Grid Codes and Electricity Market Code; provide data required for the operation and functioning of the system to the transmission or distribution system operator, in line with Transmission and Distribution Grid Codes and Electricity Market Code; abide by the stipulated conditions referring to energy efficiency and environment protection; submit data to the transmission or distribution system operator and the Agency with the aim of fulfilling the stipulated obligations concerning transparency and monitoring of the electricity market;

Article 69

Power plants referred to in Article 68, paragraph 1, which are connected to the transmission system, and/or the distribution system, shall be technically equipped and

operationally ready for the provision of system services in accordance with the Transmission, and/or Distribution Grid Code.

Types and scope of system services that must be rendered by power plants connected to the transmission, that is, distribution system, shall be determined by the Transmission, that is, Distribution Grid Code, in accordance with harmonized technical criteria for the operation of interconnected transmission systems.

Electricity producer whose power plants are technically equipped and operationally ready for the provision of system services pursuant to paragraph 1 of this Article shall, at the request of the transmission and distribution system operators, offer system services at the regulated price and of the type and volume determined by the Transmission, that is, Distribution Grid Code.

For the system service related to the system reserve, Electricity producer referred to in paragraph 3 of this Article shall offer at least the power whose share in the required reserve is proportional to the share of installed power of all his power plants in the total installed power of all power plants within the system that are technically able to provide this service.

The transmission, that is, distribution system operator may also file a request for the submission of bids for system services rendering to a balance responsible entity, for all the producers within its balance responsibility perimeter.

2. Electricity transmission system and transmission system management

1) Electricity transmission system operator

Article 70

A transmission system is comprised of a grid with the voltage of 400kV and 220kV, connecting fields of 100kV, power transmission lines and busbars of 110kV in transforming stations of 110/x kV and overhead lines of 110 kV, ending with the tension string on the transforming station portal 110x/kV, electricity metering devices at all delivery points in the transmission system, telecommunication infrastructure within the transmission facilities, IT system and control system and other infrastructure necessary for the operation of an electricity transmission system.

Article 71

An electricity transmission system operator shall be accountable for the following:

- 1) safe and reliable operation of the transmission system and quality of electricity supply;
- 2) management of the transmission system in the manner that ensures the security of electricity supply;
- 3) non-discrimination and cost-efficient access to the transmission system
- 4) transmission system development that ensures long-term capability of the transmission system to meet reasonable demand for electricity transmission;
- 5) coordinated operation of the transmission system of the Republic of Serbia with transmission systems in interconnection, that is, distribution systems in the Republic of Serbia;
- 6) system balancing and system services rendering in the transmission system;
- 7) determination of technical-technological conditions for the connection of electric power facilities, devices and plants into a single system;

- 8) regularity and reliability of electricity measuring at delivery points in the transmission system;
- 9) electricity market organization and administration.

Article 72

A transmission system operator shall be under the obligation to do the following:

- 1) maintain and develop the transmission grid ;
- 2) adopt the Transmission Grid Code
- 3) adopt the Electricity Market Code ;
- 4) adopt rules governing the allocation of rights to use cross-border transmission capacities;
- 5) make a development plan for the transmission system for the period of minimum ten years and adjust it to the development plan of distribution systems and requests for the connection of facilities of producers and consumers;
- 6) adopt a Program for non-discriminatory behaviour, appoint a person responsible for supervision over this Program implementation and prepare an annual report referred to in Article 17 hereof;
- 7) acquire energy to cover losses in the transmission system applying the principles of minimum costs, transparency and non-discrimination;
- 8) provide system services based on the principles of minimum costs, transparency and non-discrimination;
- 9) monitor the security of supply and submit data to the Ministry for the report on the security of supply;
- 10) pass a decision on the price of the transmission system access pursuant to this Law;
- 11) determine electricity price for the purpose of system balancing pursuant to market operation rules;
- 12) do not discriminate transmission system users or system user groups;
- 13) implement the rules of relevant European associations of transmission system operators it is a member to;
- 14) provide the transmission system users with the information enabling efficient access to the system, based on the principles of transparency and non-discrimination;
- 15) ensure the confidentiality of commercial and business data of energy entities and energy consumers obtained it while performing its activities and publish information that may ensure market advantage in a non-discriminatory manner ;
- 16) collect and publish data and information related to transparency and supervision of electricity market, in particular: ten-year plan of transmission grid development, total reached and planned consumption value, annual plans for overhaul of transmission capacities with an impact to available cross-border capacity exceeding 100 KW, projected value of available cross-border capacity, requested, allocated and in total registered cross-border transmission capacity, price of the last accepted offer in the procedure of cross-border transmission capacity allocation and other data pursuant to the rules on transmission system operation and obligations overtaken by membership in relevant European associations of transmission system operators;
- 17) use the transmission system facilities in compliance with technical regulations;
- 18) take stipulated safety measures during the use of the transmission system and other capacities serving in the function of the transmission system;
- 19) take energy efficiency improvement and environment protection measures;
- 20) exchange information necessary for safe and secure operation of the system with other system operators;

- 21) determine technical-technological conditions for connecting electric power facilities, devices and plants into a unique system;
- 22) forward to the Agency data and documents referred to in Article 46 paragraph 2 item (6) hereof;
- 23) issue guarantee of origin and keep the register of issued guarantees of origin;
- 24) regulate other issues necessary for the operation of the transmission system.

The electricity transmission system operator shall every year submit the development plan referred to in paragraph 1, item 5), of this Article to the Agency for approval.

Article 73

The transmission system operator cannot purchase or sell electricity, except when providing system services, balancing the system, ensuring secure operation of the system and acquiring electricity to cover losses in the transmission system.

2) Transmission Grid Code

Article 74

Transmission Grid Code shall regulate the following:

- 1) transmission system development planning;
- 2) technical conditions for the connection to the transmission system;
- 3) conditions for secure and reliable operation of the transmission system;
- 4) use of and maintenance of facilities ;
- 5) rules on measurement with defined necessary measuring devices, criteria for the selection of accuracy class of measuring devices and characteristics of accompanying devices and equipment, depending on the position of the measuring station in the system and the type of system user;
- 6) ;
- 7) obligations of the transmission system users;
- 8) transmission system operation planning;
- 9) procedures for the registration and acknowledgment of agendas of balance responsible entities;
- 10) types and scale of system services;
- 11) transmission system control in normal circumstances and in case of disturbances;
- 12) regulate other issues necessary for the operation of the transmission system.

Transmission Grid Code referred to in paragraph 1 of this Article shall be adopted by the transmission system operator with the approval of the Agency.

Transmission Grid Code referred to in paragraph 1 of this Article shall be published in the Official Gazette of the Republic of Serbia.

3. Electricity distribution system and electricity distribution system management

1) Electricity distribution system operator

Article 75

Electricity distribution system is comprised of overhead and connecting fields of 110 kV, 110/x kV transformers, transformer bays in transformer stations, medium voltage grid (35, 20 and 10 kV) and low voltage distribution grid, metering device with a metering box at all injection/withdrawal points in the distribution system, telecommunication infrastructure in distribution facilities, IT and control system and other infrastructure necessary for the operation of a distribution system.

Article 76

An electricity distribution system operator shall be accountable for the following:

- 1) safe and reliable distribution system operations and quality distribution of electricity
- 2) distribution system control;
- 3) non-discriminatory and cost-efficient access to the distribution system ;
- 4) distribution system development that ensures long-term capability of the distribution system to meet reasonable demand for electricity distribution;
- 5) determination of technical-technological conditions for the connection of electric power facilities, devices and plants to a single system;
- 6) providing energy entities and distribution system users with the information required for the efficient access to the distribution system, based on transparency and non-discrimination principles;
- 7) regularity and reliability of electricity measuring at delivery points in the distribution system;

Article 77

An electricity distribution system operator shall be under the obligation to do the following:

- 1) maintain and develop the distribution grid;
- 2) adopt the Distribution Grid Code ;
- 3) make a development plan for distribution system for the period of minimum ten years and adjust it to the transmission system development plan, development plans of other distribution systems and requests for connection of facilities of producers and consumers;
- 4) adopt a plan for undertaking measurement devices, measurement switch panels, connection lines, installation and equipment within measurement switch panels and other devices in the facilities of existing customers, i.e. producers;
- 5) adopt a set of measures and prepare an annual report referred to in Article 17 hereof ;
- 6) submit data to the Ministry for the report on the security of supply;
- 7) make the decision on the prices of the distribution system access and use in line with this Law;
- 8) announce the prices of connection pursuant to the methodology referred to in Article 46, paragraph 1, indent 9;
- 9) make a plan for the reduction of system losses if losses are above the technically justified level;
- 10) acquire energy to cover losses in the distribution system applying the principles of minimum costs, transparency and non-discrimination;
- 11) does not discriminate the distribution system users or groups of the distribution system users;
- 12) provide the distribution system users with the information regarding efficient access to the system, based on the principles of transparency and non-discrimination ;
- 13) ensure confidentiality of commercial and business data of energy entities and energy consumers, as well as of other data available to it in performing its activities;
- 14) collect and publish data and information required for fulfilling the prescribed obligations concerning the electricity market transparency and monitoring;

- 15) verifies and submits data to the transmission system operator, which are necessary for administering the electricity market in accordance with the Electricity Market Code;
- 16) carry out the exploitation of the distribution system facilities and facilities of the distribution system users in compliance with stipulated conditions ;
- 17) take stipulated safety measures during the use of the distribution system and other capacities serving in the function of the distribution system;
- 18) take energy efficiency increase and environment protection measures;
- 19) provide the Agency with all data on the electricity produced in the facilities for which the guarantee of origin is granted and
- 20)
- 21) regulate other issues necessary for the operation of the distribution system.

The electricity distribution system operator shall every year submit the development plan referred to in paragraph 1, item 3), of this Article to the Agency for approval.

The electricity distribution system operator shall pass the plan referred to in paragraph 1 item 4) of this Article on the basis of an analysis of the state of measurement devices, measurement switch panels, connection lines, installation and equipment within measurement switch panels and other devices and the established need for their replacement or the established need for compliance with requirements from technical regulations and rules on the distribution system operation.

When implementing the plan referred to in paragraph 3 of this Article, the electricity distribution system operator shall have the right to relocate the measuring station in accordance with the technical regulations established by the system operation rules to which the facility is connected, whereby the costs of such relocation shall be borne by the operator, and if an existing buyer or producer objects to taking over, the electricity distribution system operator shall have the right to replace them at own cost.

Article 78

Electricity distribution system operator cannot purchase or sell electricity, except in case of electricity purchase meant for loss recovery in the distribution system.

2) Distribution Grid Code

Article 79

The Distribution Grid Code shall regulate the following:

- 1) distribution system development planning;
- 2) technical and other conditions for safe operation of the distribution system and safe injection of electricity from producers connected to the distribution system and from other systems, as well as for reliable electricity supply to consumers;
- 3) operation planning and distribution system control;
- 4) technical conditions for the connection to the distribution system;
- 5) access to the distribution system;
- 6) rules on measurement with defined necessary measuring devices, criteria for the selection of accuracy class of measuring devices and characteristics of accompanying devices and equipment, depending on the position of the measuring station in the system and the type of system user
- 7) use of and maintenance of facilities;
- 8) procedures in case of disturbances in the operation of the distribution system and disturbances in the electricity market;
- 9) other issues necessary for the operation of the distribution system.

The Distribution Grid Code referred to in paragraph 1 of this Article shall be adopted by the distribution system operator with the Agency's approval.

The Distribution Grid Code referred to in paragraph 1 of this Article shall be published in the Official Gazette of the Republic of Serbia.

4. Electricity market

Article 80

Electricity market shall include the following:

- 1) bilateral electricity market;
- 2) balancing electricity market;
- 3) electricity market.

The electricity transmission system operator shall organize and administer the electricity market referred to in paragraph 1, item 2), of this Article, while the energy entity performing the activity of the electricity market organization (hereinafter: Market operator) shall organize and administer the market referred to in paragraph 1, item 3), of this Article, in compliance with the principles of transparency and non-discrimination.

1) Electricity market players

Article 82

Electricity market players may be the following:

- 1) electricity producer;
- 2) supplier;
- 3) public supplier;
- 4) final customer;
- 5) electricity transmission system operator pursuant to Article 73 hereof;
- 6) electricity distribution system operator pursuant to Article 78 hereof;
- 7) market operator pursuant to Article 80 hereof.

Electricity market players are obligated to submit all necessary data to the transmission, i.e. distribution system operator pursuant to the rules on transmission system operations, distribution system operations and market code.

2) Bilateral electricity market

Article 82

Bilateral electricity market is a market where the sale and purchase of electricity is carried out directly between electricity market players based on the electricity sale contract.

The electricity sale contract shall particularly specify the quantity of electricity, price and supply period.

The quantity of electricity may be:

- 1) specified upfront for each accounting period during the supply period or
- 2) determined on the basis of actual consumption by the consumer at the delivery point during the supply period, in case of full supply procurement contract.

Long-term contracts on sale between electrical energy producers and public supplier or supplier whereupon long-term objectives for development of production facilities used to ensure safety of supply established by the Strategy and the Programme may be concluded for a period of 15 years at the longest.

3) Balance responsibility of market players

Article 83

Electricity market players shall be under the obligation to regulate their balance responsibility by concluding a balance responsibility agreement with the transmission system operator, in accordance with this Law, the law regulating the obligation relations and the Electricity Market Code, thus acquiring the status of a balance responsible entity.

Market players may also regulate their balance responsibility by concluding an agreement on balance responsibility transfer with a balance responsible entity.

The transmission system operator shall be accountable for the establishment and implementation of balance responsibility of electricity market players and for keeping the registry of balance responsible entities.

Article 84

The supplier shall be a balance responsible entity for the delivery points of final customer purchasing electricity under the sale contract envisaging full supply.

The transmission system operator and distribution system operator cannot take balance responsibility for another market player.

. The transmission system operator and distribution system operator cannot transfer their balance responsibility to another market player.

The market operator shall be under the obligation to conclude a balance responsibility agreement and cannot take balance responsibility for another market player.

Article 85

The balance responsibility registry for delivery points in the transmission system shall be kept by the transmission system operator, whereas the corresponding registry for delivery points in the distribution system shall be kept by the distribution system operator.

The distribution system operator shall be under the obligation to submit data included in the registry to the transmission system operator, in accordance with the Electricity Market Code and rules governing the change of a supplier.

4) Electricity balancing market

Article 86

The transmission system operator shall purchase and sell electricity in the electricity balancing market from market players for the purpose of balancing and ensuring secure system operation.

Participation in the balancing market shall be regulated by an agreement concluded between the transmission system operator and an electricity market player, in accordance with the Electricity Market Code.

5) Electricity Market Code

Article 87

Electricity Market Code shall regulate in more detail the following:

- 1) balance responsibility of market players;
- 2) electricity balancing market;
- 3) calculation of deviations of balance responsible entities;
- 4) calculation of financial settlement of balance responsible entities;
- 5) calculation of electricity for the needs of balancing and ensuring secure operation of the system and
- 6) other issues necessary for the operation of the transmission system.

The Code referred to in paragraph 1 of this Article shall be adopted by the transmission system operator with the Agency's approval.

The Code referred to in paragraph 1 of this Article shall be published in the Official Gazette of the Republic of Serbia.

6) Organized electricity market

Article 88

The market operator shall perform the activity of organization and administration of the organized electricity market and its connection with the organized electricity markets of other countries, in line with the internationally accepted obligations.

Article 89

The Government shall pass an act regulating in more detail the organization and operation of the electricity market operator, conditions and method of business dealings of the organized electricity market players, as well as other conditions ensuring the functioning of the electricity market in accordance with law.

Article 90

The market operator shall be accountable for the following:

- 1) establishment of the organized electricity market;
- 2) administration of the organized electricity market;
- 3) financial settlement between the organized electricity market players.

For the activities referred to in item 3 of paragraph 1 of this Article, the market operator may hire a legal entity authorized to perform such activities.

Article 91

The market operator shall be under the obligation to do the following:

- 1) adopt the Organized Electricity Market Code
- 2) conclude a balance responsibility agreement with the transmission system operator;
- 3) ensure the confidentiality of commercial and business data of market players, as well as of other data available to them in performing their activity.

Article 92

The Organized Electricity Market Code shall regulate in more detail the following:

- 1) conditions and procedure for acquiring the status of an organized electricity market player;
- 2) conditions and procedure for terminating the status of an organized electricity market player;
- 3) registry of the organized electricity market players;
- 4) products of trading in the organized electricity market;
- 5) procedure for submitting, amending and cancelling the bids for sale and purchase in the organized electricity market;
- 6) contents of bids for sale and purchase in the organized electricity market;

- 7) procedure for determining the validity of bids for sale and purchase in the organized electricity market;
- 8) manner of forming a supply curve and a demand curve in the organized electricity market;
- 9) manner of determining the market quantities and prices for the accounting period;
- 10) procedures in case of insufficient supply or demand in the organized electricity market;
- 11) manner of issuing certificates of concluded transactions in the organized electricity market;
- 12) financial settlement procedure in the organized electricity market;
- 13) manner of managing risks related to financial settlement;
- 14) emergency case procedures;
- 15) other issues necessary for the functioning of the organized electricity market.

The Code referred to in paragraph 1 of this Article shall be adopted by the market operator with the Agency's approval.

The Code referred to in paragraph 1 of this Article shall be published in the Official Gazette of the Republic of Serbia.

IX. NATURAL GAS

1. Carrying out of activities

Article 93

Energy entities carrying out energy activities of transport and control of the natural gas transport system, storing and control of the natural gas storage, distribution and natural gas distribution system, shall all use and maintain energy facilities in compliance with the law regulating pipeline transport, technical regulations and standards referring to the activity they perform, fire and explosion protection conditions as well as environmental protection conditions stipulated by the law and other regulations.

Regulations stipulating rules in the mining sector shall apply to entities using gathering-transportation systems at exploitation fields for natural gas production.

2. Natural gas transport and transport system control

Article 94

Natural gas transport system shall comprise of the pipeline network with projected gas pipeline pressure exceeding 16 bars, except for upstream pipelines as well as compressing stations, block stations, metering-regulation stations and metering stations at all delivery points from the transport system, other energy facilities, telecommunication and IT system and other infrastructure necessary for the natural gas transport including the linepack (hereinafter: natural gas transport system).

1) Natural gas transport system operator

Article 95

The activity of natural gas transport and natural gas transport system control shall be performed by the transport system operator, with rights and obligations in accordance to this Law.

The natural gas transport system operator shall perform also natural gas market organization and administration tasks and do business in accordance with the principles of objectivity, transparency and non-discrimination, abiding by the conditions stipulated in the law and regulations adopted on the basis hereof.

Article 96

The natural gas transport system operator shall be accountable for the following:

- 1) Safe and reliable transmission system operations and quality of the natural gas delivery;
- 2) safety of the natural gas transport system operation
- 3) transport system management;
- 4) development which gives long-term ability of the transport system to fulfil rational demands for natural gas transport;
- 5) coordination of the transport system operation with other transport, and/or distribution systems, and natural gas storage;
- 6) system balancing;
- 7) non-discriminated access to the transport system;
- 8) accuracy and reliability of natural gas metering at all delivery points from and into the transport system;
- 9) organization and administration of the natural gas market.

Article 97

The transport system operator shall:

- 1) maintain and develop the natural gas transport system;
- 2) adopt the regulations for the transport system operation;
- 3) adopt the transport system development plan for at least 10-year period and adjust it to the development plan of interconnected systems and requests for connection of facilities of producers, consumers and storages;
- 4) adopt the program of measures and prepare an annual report referred to in Article 17 hereof;
- 5) purchase energy for balancing and providing safe system operation and for compensation of losses in the transport system based on principles of minimal costs, transparency and non-discrimination;
- 6) balance system on principles of minimal costs, transparency and non-discrimination;
- 7) apply stipulated safety measures when operating the transport system and other capacities in its function;
- 8) determine the price of the access to the transport system;
- 9) determine natural gas price for the purpose of system balancing pursuant to the rules on transport system operations;
- 10) not discriminate transport system consumers or groups of transport system consumers, and especially not favour energy entities it is related with;

- 11) provide information to the transport system users regarding efficient access to the system based on transparency and non-discrimination principles;
- 12) ensure confidentiality of commercial and business data of energy entities and natural gas consumers obtained in performance of activity and publish information that may provide market advantage in a non-discriminatory manner;
- 13) collect and publish data and information needed for fulfilment of stipulated obligations on transparency and monitoring the natural gas market pursuant to the Rules on Natural Gas Transport System Operations;
- 14) determine technical-technological conditions for interconnection of electrical power facilities, devices and plants into a single system;
- 15) monitor security of delivery and supply and provide data for supply security report to the Ministry;
- 16) Take measures to increase energy efficiency and environmental protection;
- 17) exchange information necessary for safe and secure operation of the system with other system operators
- 18) forward data and documents referred to in Article 46 paragraph 2 item 6) thereof to the Agency and
- 19) regulate other issues necessary for the transport system operation.

The transport system operator shall each year provide development plan referred to in para. 1 item 3) of this Article to the Agency in order to get its approval.

Article 98

The natural gas transport system operator cannot trade in natural gas except in case of providing own natural gas consumption, balancing system and covering technical losses in the transport system.

2) Grid Code on natural gas

Article 99

The Grid Code shall regulate the following:

- 1) the transport system development planning;
- 2) technical conditions for connection to the transport system;
- 3) conditions for reliable and secure transport system operation;
- 4) access to the transport system;
- 5) use and maintenance of facilities;
- 6) rules on measuring with defined necessary measuring equipment depending on the position of the measuring station in the system and type of system user;
- 7) capacity distribution and overload management;
- 8) data exchange on planned and delivered quantities, and calculation of deviations and financial settlement;
- 9) the range of quality, chemical contents and other characteristics of natural gas that is taken into the system and delivered from the system;
- 10) the way of exchange and harmonization of information, data and operating conditions with other system operators;
- 11) management of emergencies in the system;
- 12) procedures in case when safety of natural gas delivery is endangered;
- 13) trade conditions related to technical and operational providing of services of the transport system and system balancing;
- 14) obligation to publish all the data necessary for access to the system;

- 15) obligation to publish the data on services offered by system operator as well as the data related to technical, contracted and free capacity for all entrance and exit points of the transport system;
- 16) type and manner of submission of data which market players are obligated to submit to the system operator;
- 17) procedures for announcing use of the system, system balancing, calculating imbalance compensation and operative balancing between transport system operators.
- 18) procedure for dispute settlement arising from transport contracts and
- 19) other issues relevant for the transport system operation.

The Grid Code referred to in para. 1 of this Article shall be adopted by the natural gas transport system operator with the approval of the Agency.

The Grid Code referred to in para. 1 of this Article shall be published in the “Official Gazette of the Republic of Serbia”.

3. Natural gas distribution system and natural gas distribution system management

1) Natural gas distribution system operator

Article 100

Natural gas distribution system shall be comprised of pipeline network, regulation, metering-regulation and metering stations at all delivery points from the distribution system, other energy facilities, telecommunication, IT and other infrastructure necessary for the natural gas distribution with maximal operating pressure below or equal to 16 bars, including the linepack.

Article 101

The distribution and control of the distribution system for natural gas shall be performed by the natural gas distribution system operator, with rights and obligations in accordance to this Law.

The natural gas transport system operator shall do business in accordance with the principles of objectivity, transparency and non-discrimination, abiding by the conditions stipulated in the law and regulations adopted on the basis hereof.

Article 102

The natural gas distribution system operator shall be accountable for the following:

- 1) safe and reliable operations of the distribution system and quality of supply of natural gas;
- 2) safety of the natural gas distribution system operation
- 3) development which gives long-term ability of the distribution system to fulfil rational demands for natural gas distribution in economically justified way;
- 4) non-discriminatory access to the distribution system ;
- 5) distribution system management;
- 6) accuracy and reliability of measuring of delivered natural gas.

Article 103

The natural gas distribution system operator shall:

- 1) develop and maintain the distribution network;
- 2) adopt the regulations on the distribution system operation;
- 3) each year adopt the distribution system development plan for at least a five-year period harmonized with the development plan of interconnected systems and requests for connection of facilities of producers, consumers and storages;
- 4) adopt the program of measures and prepare an annual report referred to in Article 17 hereof;
- 5) submit data to the Ministry for the security of supply report;
- 6) pass a decision on the price of access to the distribution system in accordance with this law;
- 7) publish the prices for access to the distribution system according to the methodology from Article 46, item 1. indent 10;
- 8) adopt plan for decreasing system losses if the losses are above technically justified level
- 9) purchase natural gas for compensation of losses in the distribution grid based on principles of minimal costs, transparency and non-discrimination;
- 10) not discriminate distribution system users or groups of distribution system users, and especially not favour energy entities it is related with;
- 11) provide information for the efficient system access to distribution system users based on transparency and non-discrimination principles;
- 12) provide confidentiality of commercial and business data of energy entities and natural gas customers obtained in performing its activity and publish data that may provide market advantage in a non-discriminatory manner;
- 13) verify and submit data that transport system operator needs for administrating natural gas market in accordance with the regulations of transport system operations;
- 14) take stipulated safety measures during use of distribution system;
- 15) exchange information necessary for safe and secure operation of the system with other system operators;
- 16) forward to the Agency data and documents referred to in Article 46 paragraph 2 item 6 hereof;
- 17) take measures of environmental protection and increase of energy efficiency and
- 18) regulate other issues necessary for the operation of the transport system.

Article 104

Natural gas distribution system operator cannot purchase and sell natural gas, except in case of natural gas purchase for losses recovery in the distribution system.

2) Distribution Grid Code

Article 105

The Distribution Grid Code shall regulate the following:

- 1) the way of planning distribution system development;
- 2) planning of operations and control of the distribution system;
- 3) technical conditions for the connection to the distribution system;
- 4) access to the distribution system;
- 5) rules on measuring with defined necessary measuring equipment depending on the position of the metering station within the system and type of system user
- 6) use and maintenance of facilities;
- 7) procedures in case of disturbances in the distribution system operation;

- 8) type and scope of data exchanged with other energy entities and system users, procedures and the exchange dynamics;
- 9) obligations of the distribution system users and
- 10) other issues necessary for the distribution system operation.

The regulations referred to in para. 1 of this Article shall be adopted by the natural gas distribution system operator with the approval of the Agency.

The regulations referred to in para. 1 of this Article shall be published in the “Official Gazette of the Republic of Serbia”.

Article 106

Natural gas transport, and/or distribution system operator, shall do the control check of internal gas installations in the consumer’s facility in accordance to the law regulating the pipeline transport.

The consumer shall provide maintenance of the internal gas installations in its facility by entrusting these tasks to a company, and/or to another legal entity or an entrepreneur that meets the requirements in accordance to the law regulating pipeline transport.

4. Storing and natural gas storage management

1) Natural gas storage operator

Article 107

The activity of storing and control of the natural gas storage shall be performed by the natural gas storage operator.

The natural gas storage operator shall operate in line with principles of objectivity, transparency and non-discrimination, abiding by conditions stipulated in the law and regulations based on this Law.

Article 108

The natural gas storage operator shall be accountable for the following:

- 1) secure and reliable injection and extrusion of natural gas;
- 2) safe operation of natural gas storage;
- 3) non-discriminatory access to the storage and
- 4) storage operation control;

Article 109

The natural gas storage operator shall:

- 1) maintain and develop storage;
- 2) apply stipulated safety measures;
- 3) adopt regulations on storage operation;
- 4) adopt program of measures and make annual report from Article 17 hereof;
- 5) manage storage operation;
- 6) provide data for supply security report to the Ministry;
- 7) publish data about available capacities;
- 8) purchase natural gas for own consumption and compensation of losses based on principles of minimal costs, transparency and non-discrimination;

- 9) pass a decision on the price of access to the storage in accordance with this law;
- 10) not discriminate storage users or groups of storage users, and especially not favour energy entities it is related with;
- 11) provide information for the efficient storage access to storage users based on transparency and non-discrimination principles;
- 12) harmonize operation and exchange data necessary for safe and secure operation of the storage with the system operator;
- 13) forward to the Agency data and documents referred to in Article 46 paragraph 2 item 6 hereof;
- 14) provide to the operator of the transport system data important for operation of natural gas market;
- 15) provide confidentiality of commercial and business data of energy entities and natural gas customers obtained in performing its activity and publish information that may provide market advantage in a non-discriminatory manner;
- 16) take measures for environmental protection and increase of energy efficiency and
- 17) regulate other issues necessary for the operation of the transport system.

2) Natural gas storage code

Article 110

The natural gas storage code regulates:

- 1) conditions for safe, reliable and secure storage operations;
- 2) use and maintenance of facilities;
- 3) planning of storage operation;
- 4) storage control and regulation of gas flow and pressure during injection and extrusion of natural gas in the way which provides secure and reliable operation in both cycles, in case of disturbances and accidents;
- 5) type of storage operator services;
- 6) conditions and procedures for storage access and capacity distribution;
- 7) establishing the available storage capacity for: injection, working volume of the storage and extrusion of gas;
- 8) the way and dynamics of publishing summary data on injected and extruded quantities of natural gas and the level of exploitation of storage capacity and
- 9) other issues necessary for the storage operation

The regulations referred to in para. 1 of this Article shall be adopted by the natural gas storage operator with approval of the Agency.

The regulations referred to in para. 1 of this Article shall be published in the "Official Gazette of the Republic of Serbia".

Article 111

Natural gas storage operator cannot trade in natural gas except in case of providing own natural gas consumption and covering technical losses in the natural gas storage.

3. Natural gas market

Article 112

Purchase and sale of natural gas shall be carried out on the market, based on natural gas sale contracts between market players.

In particular, natural gas quantity, price and supply period shall be determined by the natural gas sale contract.

Natural gas quantity may be:

- 1) agreed in advance for each accounting period during the supply period or

2) determined based on the actual consumption of the consumer at the delivery point during the supply period, in case of contract on full supply sale.

Transport system operator shall keep records on transactions on the natural gas market, in a way and according to a procedure defined by the natural gas Transport Grid Code.

Natural gas market players

Article 113

Natural gas market players shall be the following:

- 1) natural gas producer;
- 2) natural gas supplier;
- 3) public supplier of natural gas;
- 4) final customer;
- 5) transport system operator pursuant to Article 98 hereof;
- 6) distribution system operator pursuant to Article 104 hereof and
- 7) natural gas storage operator pursuant to Article 111 hereof.

Natural gas market players are obligated to submit all the necessary data to the transport system operator pursuant to the Transport system Code.

2) Balance responsibility

Article 114

Natural gas market players shall regulate their balance responsibility by making a transport contract, which shall regulate financial responsibility for the difference between the natural gas quantity delivered at the entry points to the transport system and the quantity taken on exit points from the transport, and/or from the distribution system, for the accounting period.

The natural gas transport system operator shall be accountable for the establishment of and implementation of balance responsibility of market players, as well as for keeping the registry of balance responsibility, in accordance with the Transport Grid Code and rules on the supplier change.

Article 115

The supplier shall be balance responsible for points of delivery of final customers that purchases natural gas under the contract with full supply option.

Article 116

Data required for keeping the registry of balance responsibility at delivery points on the distribution system shall be provided by the distribution system operator, which shall be obliged to submit them to the natural gas transport system operator.

Article 117

The natural gas transport system operator shall provide natural gas for balancing and for maintaining the secure system operation from the market players using the natural gas from the storage, and also from the linepack.

X. SPECIAL PROVISIONS IN THE FIELD OF ELECTRICITY AND NATURAL GAS

1. Exemptions for the new natural gas infrastructure

Article 118

New infrastructure facilities of the gas system, and/or interconnectors or natural gas storages, may at request be exempted from the application of the right to access referred to in Article 122 paragraph 1 hereof, under the following conditions:

- 1) that the investment in new infrastructure facility increases market competition and security of supply;
- 2) that the risk for the new infrastructure investment is such that there will be no investment unless the exemption is ensured;
- 3) that new infrastructure facilities must be the ownership of the physical or legal person doing business in another legal entity separated from the system operator within which new infrastructure facilities shall be built;
- 4) that the users of the new infrastructure facility pay the fee for the use of this facility;
- 5) that the exemption does not prevent competition, efficient functioning of the internal natural gas market and efficient functioning of the regulated system to which the new infrastructure is connected.

Provision of paragraph 1 of this Article shall also be applied in case of the significant upgrade of the capacities of the existing infrastructure facilities and reconstruction of the existing infrastructure which will provide for the development of the new natural gas supply sources.

The act on the exemption from paragraphs 1 and 2 hereof shall be passed by the Ministry, upon obtained position of the Agency and both the position of the Agency and a detailed explanation thereof shall be published in the "Official Gazette of the Republic of Serbia".

The act on the exemption from paragraphs 1 and 2 hereof may include the entire or parts of the new infrastructure, the existing infrastructure with increases capacity or modified existing infrastructure.

Upon deciding on the request for exemption from paragraphs 1 and 2 hereof, the Ministry shall consider:

- non-discriminatory access to the interconnector ;
- the period of validity of the contract concluded for the use of given infrastructure;
- increase in capacity,
- the planned periods of use of infrastructure and
- take into account national specificities that are applicable for the specific case.

In case that the exemption is approved, the Ministry may determine rules and mechanisms for management and allocation of capacities to the extent that do not obstruct implementation of the long-term contracts.

In the case of the interconnector, the act of exemption may be passed after the exchange of views with other states influenced by the construction of the interconnector or with relevant regulatory bodies.

2. Exemptions for new interconnection transmission lines in the electricity field

Article 119

The new interconnection transmission lines for direct current can be exempt upon request, from the rules on access to system from Article 122, paragraph 1 hereof, rules on allocation cross-border transmission facilities' use from Article 126 hereof, and rules on the use

of revenues from facilities' allocation in the procedure of price formation for transmission system access, under the following conditions:

1) that the investment in the new infrastructure facility increases competition in electricity supply;

2) that the risk of investment in construction of interconnection transmission line is such that the investment will not be made unless the exemption is approved;

3) that the interconnection transmission line is specifically owned by a physical or legal person that performs its business activities in another legal entity which is separated from the system operator within which the new interconnection transmission line will be constructed;

4) that the users of the interconnection transmission line pay usage fee for that facility;

5) that the financial means or operation costs of the interconnection transmission line do not include, in a single portion thereof, the used funds from the price paid for access and use of the transmission or distribution system;

6) that the exemption does not prevent competition, efficient functioning of the electricity market and efficient functioning of the system to which the new interconnection transmission line is connected.

The provision from the paragraph 1 of this Article shall also exceptionally apply in the case of interconnection transmission line for alternating current, providing that the costs and risk of such investment are significantly higher when compared to the costs and risks that usually arise from the connection of two neighbouring national transmission systems via an interconnection transmission line for alternating current.

The provision from the paragraph 1 of this Article shall be additionally applied in the case of a significant increase of capacities of the existing interconnection transmission lines.

The act on exemption referred to in paragraphs 1 to 3 hereof shall be passed by the Ministry, upon obtained position of the Agency and both the position of the Agency and a detailed explanation thereof shall be published in the "Official Gazette of the Republic of Serbia".

The Act on Exemption from paragraphs 1 to 3 of this Article may include the interconnection transmission line capacity in its entirety or in a part thereof.

On the occasion of reaching the decision on exemption from paragraphs 1 to 3 of this Article, the Ministry shall:

- consider the need for establishing conditions for exemption period and non-discriminatory access to interconnection transmission line;

- Take into account any additional capacities that may potentially be constructed, the expected project realization period and any specific national characteristics and situation in the Republic of Serbia.

On the occasion of exemption decision making, the Ministry may approve or specify the rules and mechanisms for capacities' management and allocation.

The Act on Exemption can be passed after an exchange of opinions with other states which are influenced by the construction of the interconnection transmission line, or with the relevant regulatory bodies.

2. "Take or pay" obligations

Article 120

The supplier of natural gas that has or believes it shall have financial difficulties due to its "take or pay" obligations based on the natural gas purchase contract, that is applicable at the time of coming into force hereof, may submit a request to the Ministry for the transmission or distribution system operator or the warehouse operator to be temporary exempted from the application of the right to regulated access.

The exemption act referred to paragraph 1 of this Article shall be adopted by the Ministry, after the obtained position of the Agency and together with the obtained position of the Agency and with the detailed explanation shall be published in the "Official Gazette of the Republic of Serbia".

When deciding upon the exemption, the Ministry must take the following criteria into account:

- achieving competitiveness in the gas market;
- performance of the obligations of public supply and ensuring security of supply;
- the position of the applicant in the gas market and the actual state of competition in that market;
- the severity of the economic and financial difficulties faced by the applicant, the transportation system operator or customers;
- the date of the signing and conditions of one or more of the concerned contracts, including the extent of market changes that they envisage;
- efforts that have been made to find a solution to such problems;
- foreseeing that the applicant's accepting the obligations from the "take or pay" contract will lead to serious difficulties;
- the level of integration of the system with other systems and the degree of coordination of the system;
- The effects that an exemption would have on the natural gas market.

It is considered that there are no serious difficulties if the sale of natural gas has not fallen below the minimum amount stipulated by the "take or pay" contract, if there is a possibility of changing the contract or if the applicant can find another solution.

The system operator who was not granted an exemption in accordance with paragraph 1 hereof may not deny access to the system because of the "take or pay" obligations.

Article 121

The Ministry shall stipulate more detailed conditions for passing of the act referred to in Article 118, 119 and 120 hereof, the contents of the request and of the act on exemption.

An appeal against the exemption act from the Articles 118, 119 and 120 hereof may be submitted to the Government within eight days from the decision being served.

The decision passed by the Government shall be final and administrative procedure can be initiated against it.

XI. ACCESS TO THE SYSTEM

Article 122

The system operator as well as the energy entity carrying out the transportation of oil via oil pipelines and oil derivatives via oil derivatives pipelines, shall ensure the system users access to the system at regulated prices based on the principle of publicity and non-discrimination, in accordance with the provisions hereof, as well as with the regulations and rules on the functioning of the system adopted on the basis hereof.

Access to the upstream gas pipelines shall be enabled based on the principle of publicity and non-discrimination and it is not regulated.

Article 123

Access to the system shall be made on the basis of the access contract concluded by the system operator, i.e. by the energy entity engaged in the oil transportation via oil pipelines activity or in the derivatives transportation activity via the oil products pipelines and by the system user, in accordance with the grid code.

The access contract, in addition to the elements specified by the law governing contractual relations, consists of: information on the handover point; the power and capacity at the handover point; the billing period and the method of calculation in accordance with the methodologies specified in Article 46 hereof and other elements, depending on the particularities of the handover point.

The contract on access to the system for transmission, i.e. distribution of electricity and access to the system for natural gas distribution cannot stipulate the power, i.e. the capacity exceeding the approved power, i.e. capacity of connection on the point of the handover.

The contract for access to the system for transport and storage of natural gas cannot stipulate capacity that exceeds the capacity that it granted the right to use capacity for.

The system operator, as well as the energy entity carrying out the transportation of oil via oil pipelines and oil derivatives via oil derivatives pipelines shall maintain a register of access contracts.

Article 124

The electricity transmission, and/or distribution system operator, as well as the energy entity carrying out the transportation of oil via oil pipelines and oil derivatives via oil derivatives pipelines, may deny access to the system if it is not technically possible due to:

- 1) lack of capacities;
- 2) operational disturbances or system overload;
- 3) endangered security of the system operation.

Natural gas transport, storage or distribution system operator may deny access to the system in the following cases:

- 1) lack of capacities;
- 2) if the access to the system would disable performing the general interest activity or if it would endanger the security of supply;
- 3) serious economic and financial difficulties due to “take or pay” contract in accordance with this Law.

Access to the upstream gas pipelines shall be approved in the following cases:

- 1) lack of capacities,
- 2) uncoordinated technical characteristics of the system,
- 3) if the access to the system may endanger the production of oil and natural gas,
- 4) If the access to the system may jeopardize the rights of other system users.

Data on the load level of the transmission, transport or distribution system or on the natural gas storage capacity availability are public, and the type, scope and method of publication of data shall be in accordance to the grid code.

The system operator, the energy entity carrying out the transportation of oil via oil pipelines and oil derivatives via oil derivatives pipelines, that is, the natural gas producer, shall take a decision on the system access denial no later than five days of the submission day of the system access request.

The decision from paragraph 4 hereof shall contain a detailed explanation of the reasons for denying access to the system.

An appeal may be submitted to the Agency against the decision referred to in paragraph 4 of this Article, within eight days from day the decision was served.

The decision of the Agency reached about the appeal shall be final and administrative dispute can be initiated against it.

1. Access to the transmission system in the cross-border electricity exchange

Article 125

Access to transmission system in cross-border electricity exchange shall be carried out on the basis of right of cross-border transmission capacity use.

Allocation of rights to use the cross-border transmission capacities shall be carried out in non-discriminative and transparent manner, in accordance with harmonized technical operation criteria of interconnected transmission systems and rules for allocation of cross-border capacities.

Article 126

A right to use a cross-border transmission capacity shall be exercised on the basis of contract made by the transmission system operator with market players.

The procedure and method of allocation of right to use cross-border transmission capacities, as well as the type and scope of data and the manner of their publication, shall be regulated by the rules on allocation of rights to cross-border transmission capacities use.

The rules referred to in paragraph 2 hereof shall be passed by the transmission system operator, with the consent of the Agency and the transmission system operator shall publish the rules on its website.

After having obtained the approval by the Agency, the transmission system operator may additionally regulate the procedure and method of allocation of rights to cross-border transmission capacities and access to cross-border transmission capacities in a contract with the neighbouring transmission system operator, in a contract with transmission system operators of other countries, that is, with the electricity market operator.

Rules referred to in paragraph 2 and the contract referred to in paragraph 4 hereof shall be in compliance with the Energy Community Treaty and with other international agreements ratified by the Republic of Serbia.

2. Natural gas transport system access

Article 127

Access to the natural gas transport system shall be carried out on the basis of rights to use transport capacities at entry and exit points of the transport system.

The right to use the transport capacity shall be exercised on the basis of a contract on natural gas transport concluded by the transport system operator with market players, in accordance with the transport system grid code.

The contract referred to in paragraph 2 hereof may allocate the transport capacity as long-term, for the period of one or more years, or as a short-term, for the period shorter than a year, and the capacity may be allocated as firm or interruptible.

The regulated price for interruptible transport capacity shall correspond to the probability that there is an interruption of transportation.

Transport system operator shall offer all available transport capacity as guaranteed capacity to market players, up to the level that does not disturb the system integrity.

In case of contractual congestion the transport system operator shall offer all unused capacity day ahead at the minimum as interruptible capacity.

- The transmission system operator is required to publish the following on its website:
- information about services provided to users and appropriate conditions that are applied;
 - information on technical, contracted and available capacities for all entry and exit points of the transportation system and
 - other data and information relevant to a transparent and non-discriminatory access to the transportation system.

Information and data from paragraph 7 hereof, the manner of publication and period of their updating, shall be governed by the rules of the grid code of the transportation system of natural gas.

3. Natural gas storage access

Article 128

Allocation of rights to use natural gas storage capacities shall be carried out in non-discriminative and transparent manner, in accordance to the rules on storage operation.

Provisions of Article 127 shall accordingly be applied to allocation of rights to use natural gas storage capacities, which regulate the rights to use the transport system capacities.

The storage operator shall adjust rules of allocation of capacities at entry and exit points of the storage with the rules of the allocation of natural gas transport system capacities to which the storage is connected.

XII. CONNECTION TO TRANSMISSION, TRANSPORT AND DISTRIBUTION SYSTEM

Article 129

Connection of the facility of the consumer or producer of electricity and natural gas to transmission, transport or distribution system shall be carried out on the basis of approval of the relevant system operator, in accordance with this Law and regulations adopted in accordance with this Law.

Connection of the facility of the consumer or producer of heat to the distribution system shall be carried out on the basis of approval of the energy entity for heat distribution and supply.

The approval for connection of the facility of the customer or the electric power and natural gas producer that are already connected to the transmission, transportation or distribution system shall be issued in the case of merger or separation of installation and measuring points, increase of the approved strength or capacity of the customer or the electric power and natural gas producer, as well as in the case of reconnection due to disconnection.

Article 130

Approval for the facility connection shall be issued by a decision in administrative procedure at request of a legal or physical person whose facility is to be connected.

The relevant system operator shall take a decision upon the connection request of the consumer within 30 days of the written request receipt, and/or within 60 days of the written request receipt in case of the producer's facility connection.

An appeal to the Agency may be submitted against the decision referred to in paragraph 2 of this Article within 15 days of the decision being served. The Agency's decision upon the appeal shall be final and administrative dispute may be initiated against it.

Energy entity for distribution and supply of heat is required to decide on connection of the customer to the heat distribution system, within 30 days of receipt of written request.

An appeal against the decision referred to in paragraph 4 hereof may be submitted to the competent authority of the local self-government, the city, and/or the city of Belgrade, within 15

days of the date of the decision. The decision upon the appeal shall be final and administrative dispute may be initiated against it.

Article 131

Approval to the facility connection to transmission, transport or distribution system includes in particular: connection point, method and technical conditions of the connection, approved power or capacity, location and method of metering of the supplied energy, connection deadline and connection costs.

Technical and other connection conditions to transmission, transport or distribution system shall be regulated in accordance with this Law, regulations adopted on the basis hereof, technical and other regulations on the grid code of the system that the facility is being connected to.

Article 132

Connection costs, including costs of purchase of metering devices and metering-regulation stations shall be borne by the connection applicant .

The amount of the costs of connection shall be determined by the transmission operator, and/or, the transmission and distribution system operator, in accordance with the Methodology for determining the cost of connection adopted by the Agency or the competent authority of the local self-governments, city or the city of Belgrade, for connection to the system for heat distribution.

The Methodology referred to in paragraph 2 of this Article shall determine the method and more detailed criteria for calculation of the connection costs, depending on the approved power, or capacity, the connection point, the need for works execution or the need for necessary equipment installation or other objective criteria.

The system operator is obliged to submit the act on the amount of connection cost to the Agency prior to implementation.

The Agency may require amendments of the act on the amount of connection cost, if it has not been passed in accordance with the methodology.

Article 133

The system operator shall connect the customer's facility to transmission, transport, or distribution system, no later than 15 days of the date when the following conditions are met:

- 1) Terms and conditions from the connection approval document are met;
- 2) The permit for the facility use has been obtained or the devices and installations of the customer's facility meet the technical specification and other prescribed criteria;
- 3) The customer has delivered the sales contract to the system operator;
- 4) The balance responsibility and access to the system have been arranged for the point of takeover.

The energy entity shall connect the producer's facility of electricity, or natural gas to transmission, transport, or distribution system no later than 15 days from the date when the following conditions are met:

- 1) The conditions from the connection approval document;
- 2) The permit for use has been obtained and the equipment and installations of the producer's facility meet the technical and other prescribed requirements;
- 3) The balance responsibility and access to the system have been arranged for the point of takeover.

By connecting the facility referred to in paragraphs 1 and 2 hereof, the connection becomes a part of the system it was connected to.

Regulation on the Terms and Conditions for Electricity and Natural Gas Delivery and Supply shall closely determine the conditions and methods of proving the fulfilment of conditions referred to in paragraphs 1 and 2 hereof.

If the system operator does not connect the consumer's or producer's facility to the transmission, transport, or distribution system by the deadline referred to in paragraphs 1 and 2 hereof, the relevant inspector shall, at the request of electricity, and/or natural gas consumer, and/or producer, check, no later than 15 days of the request submission day, whether the connection approval conditions referred to in paragraphs 1 and 2 hereof have been met and in case the mentioned conditions are met, the relevant inspector shall order the operator to connect the facility without any delay.

Article 134

Connection of energy facilities for electricity distribution to transmission or to other distribution system, and/or connection of energy facilities for natural gas distribution to transport or to other distribution system, connection of natural gas storage to natural gas transport system, as well as interconnection of transport systems shall be carried out on contractual basis.

The contract referred to in paragraph 1 hereof shall be made in writing and shall include, in addition to the elements determined by the contract law, the following:

- 1) Technical conditions for connection of systems and the connection point;
- 2) Method of metering of delivered electricity or natural gas;
- 3) Actual systems connection costs, and
- 4) Deadline for systems connection.

Article 135

The delivery point of energy to a consumer, and/or the point of taking the energy from the producer is the point where installations of the consumer's, and/or producer's facility border the transmission, transport and distribution system.

The point of responsibility unbundling between the energy entity and a consumer, and/or producer and the electricity, and/or natural gas metering point shall be more closely regulated by an act determining conditions of delivery and supply of electricity and natural gas.

Article 136

In case of a need for connection of facilities of temporary purpose, construction sites, water facilities and similar facilities, as well as facilities with approved trial run in accordance to a special law, the approval for temporary connection of a facility may be issued.

Relevant provisions hereof, according to the act on conditions of delivery and supply of electricity and natural gas, provisions of other regulations adopted on the basis hereof and of the Transmission, and/or Distribution System Grid Code shall apply to conditions, method and a procedure for issuing an approval for temporary connection and energy supply.

XIII. PROTECTION OF THE ENERGY FACILITIES

Article 137

The energy entity using and maintaining the energy facilities shall have the right of passage over another owner's immovable for the purpose of carrying out maintenance works, controlling the proper operation of the facility, devices, plants or equipment and performance of

other necessary works, as well as the right to use the immovable property on which the above listed works are being carried out, only in the course of such works.

The owner of the immovable shall allow access to the energy facilities referred to in paragraph 1 hereof and allow the works referred to in paragraph 1 hereof.

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

In case the owner of the immovable and the energy entity fail to reach the agreement referred to in paragraph 3 hereof, the competent court shall decide on the matter.

Article 138

A competent body may 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 paragraph 1 hereof, the costs of energy facility relocation, including construction costs, and/or 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 139

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 system operator, i.e. the energy entity for oil transportation via oil pipelines or for transport of derivatives via oil product pipeline in charge of the energy facility shall, at its own expense, regularly remove branches or trees and other bushes endangering the operation of the energy facility.

Owners and holders of other immovable rights on immovables 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 that is the owner, and/or the user of that energy facility.

At the request of an owner or a holder of other rights on immovable located under, above or next to the energy facility, the energy entity referred to in paragraph 4 hereof shall grant the approval for works within 15 days of the date of the request, which shall include technical conditions in accordance with the law, technical and other regulations.

XIV. SUPPLY OF ELECTRICITY AND NATURAL GAS TO FINAL CUSTOMERS

1) Suppliers

Article 140

Right to free choice of supplier in the market shall be exercised by all customers of electricity and natural gas, including the households that shall be granted such right on January 1st, 2015.

Energy entity holding a license for the supply activity (hereinafter: the supplier) or for the public supply activity (hereinafter: the public supplier) can engage in the supply of electricity or natural gas to final customers pursuant to this Law.

Right to public supply shall be exercised by households and small customers with all the facilities connected to the distribution system of electricity with the voltage lower than 1kV, that is, to the distribution system of natural gas and they shall exercise this right in cases where they did not select another supplier.

Public supplier shall purchase electricity or natural gas on bilateral or organised market.

Until a competitive natural gas market is established in the Republic of Serbia, the Government shall, based on a public tender procedure, designate a supplier to supply public suppliers of natural gas, at their request and under the same prices.

Decision on announcing the tender referred to in paragraph 7 hereof shall in particular include the conditions for selection of suppliers, conditions and manner of forming and changing the price, elements of the agreement with the public supplier and the time limit for which it is elected.

If supplier is not elected by a public tender referred to in paragraph 7 hereof, the Government shall designate a supplier to supply public suppliers, as well as conditions for supply.

2) Rights and Obligations in Supplying the Final Customers

Article 141

Rights and mutual obligations between the supplier, and/or the public supplier and customer of electricity or natural gas shall be regulated by the sales agreement.

The sales agreement from paragraph 2 of this Article contains, in addition to the general elements established by the law regulating the contractual relations, the following elements:

- 1) Rights and obligations in relation to the electricity quantity and power, that is, the natural gas quantity and capacity;
- 2) Rights and obligations of the supplier, that is, those of the public supplier and final customer in the case of a failure to meet obligations of any of the contracting parties thereof and in case of temporary delivery suspension;
- 3) Supply dynamics;
- 4) Validity period of the agreement and rights and obligations in case of a cancellation and termination of agreement;
- 5) Method of calculation and payment conditions for the electricity or natural gas that has been taken over;
- 6) Method of notification of changes in prices and other conditions of supply of electricity or natural gas;
- 7) Dispute resolution method, and
- 8) Other elements depending on the specific character and type of services provided by the supplier.

Terms and conditions for contract signing and the content of the sales contract shall be governed in more detail by the regulation referred to in Article 160 hereof and the provisions of the contract must include the rights and obligations of the customer in a clear, simple and unambiguous manner.

The final customer may conclude more than one sales contract for one point of handover for the same supply period, and only one contract may be for full supply.

In case that the sales contract on full supply has been concluded, before initiating the supply, the supplier, that is, the public supplier shall be obliged to conclude the following:

- 1) Agreement on access to the system with the operator of the system to which the facility of the final customer is connected;
- 2) Agreement stipulating their undertaking of balance responsibility for the points of takeover of the final customer.

3) Final customer Protection

Article 142

Final customer shall enjoy protection of its rights in compliance with this Law, adopted regulations based on this Law, law regulating consumer protection and other regulations.

Dishonest and unfair conduct and/or misleading business activities in terms of consumer protection shall be forbidden, and the terms and conditions offered for contract signing must be transparent and made in clear and easily understandable language.

Article 143

While performing its business activities, the supplier shall act in such a manner as to provide for an equal position of electricity, i.e. natural gas customers .

The supplier from paragraph 1 of this Article shall make sure that the offer for sales contract signing shall contain the following information:

- 1) Identity and address of the supplier;
- 2) type and quality level of services offered,;
- 3) Manner in which the latest information on all the applicable prices, as well as the maintenance costs, can be obtained;
- 4) Contract validity period, terms and conditions of contract renewal, i.e., terms and conditions of contract extension and contract termination and conditions under which the contract may not be renewed and/or its validity period may not be extended, as well as the manner in which contractual parties' relations shall be regulated in case of contract termination;
- 5) Penalties, compensations, refunds and other instruments in case that the supplier fails to fulfil the agreed level of service quality, as well as the measures that the supplier can take to collect the mature obligations;
- 6) Manner and procedure for resolving customer's complaints in case that the supplier fails to fulfil the contractual obligations, i.e. the procedure for dispute resolution, where the supplier shall be make this procedure simple, inexpensive, efficacious and transparent.

The supplier shall publish the conditions from paragraph 1 of this Article, i.e. to inform the customer about the terms and conditions in a suitable manner before the contract is signed, and the same obligation shall apply to the cases where contract is concluded through an intermediary.

The supplier shall inform the customer about the change in prices and other terms and conditions of sale directly and within a reasonable period in advance, and at the minimum fifteen days before the date when the changes in prices or terms and conditions of sale become effective, except in the case of prices' lowering or granting more favourable conditions of sale to the customer.

In the case from paragraph 4 of this Article, the customer shall be entitled to terminate the contract, i.e. to cancel the sales agreement in case that they do not accept the changes in terms and conditions of sale or the change in prices.

The supplier shall offer more than one ways to pay for their obligations, incentive measures and favourable conditions for payment of their obligations, depending on the prices offered, accounting period duration, obligations' maturity dates and other specific characteristics.

In addition to the above listed, the supplier shall:

1) Calculate the electricity, i.e. natural gas and services that they offer in compliance with the law, regulations and contract;

2) Issue bill for delivered electricity, i.e. natural gas, which contains the presented price of electricity, i.e. of the natural gas, the accounting period, and, in case of a contract on full supply, the presented price of supplied specially agreed services, as well as the fees prescribed by the law, tax and other obligations or information referred to in paragraph 144 hereof;

3) Publish the conditions, procedure, legal consequences, i.e. the rights of the customer in case of a suspended delivery of electricity, i.e. of the natural gas, owing to the failure to meet their obligations from the sales contract for electricity, i.e. for the natural gas, together with the reasons, procedure and legal consequences of supply cut-off of the customer's facility from the system;

4) In order to inform the customer on the terms and conditions and manner of exercising the customer's rights, to provide for a free of charge telephone line for providing information and answers to the customers' questions;

5) To fulfil other obligations in compliance with the regulations regulating torts and contracts, trade and turnover of goods and services and consumer protection.

The sales agreement must not deprive the customer of their right to termination or cancellation of agreement, nor may it make the exercise of this right more difficult for the customer, due to the exercise of the customers' right to change the supplier, nor may it impose any additional financial obligations in relation to the termination or cancellation of agreement.

Upon the request by the customer, the public supplier shall provide the customer with whom they have concluded the sales contract on full supply from the paragraph 2 of this Article with information about electricity consumption, i.e. on the natural gas consumption, in compliance with this Law, rules on change of supplier and with the concluded contract.

In case of an offer to conclude contract on full supply, the supplier shall additionally inform the customer before the contract is concluded about the options for the change of supplier.

Provisions of this Article shall accordingly be applied to the public supplier, too.

More detailed conditions and manner of fulfilling obligations of supplier and public supplier in the sense of paragraphs 1 to 10 of this Article shall be regulated by the act on terms and conditions for delivery and supply of electricity, i.e. of the natural gas referred to in Article 160 hereof.

Article 145

The supplier and public supplier of electricity shall provide that the customer has available information on the share of individual energy sources in the total amount of electricity sold by that supplier over the past year, with the bill for supplied electricity or in some other suitable manner, as well as information on the measures and manner, i.e. effects of the activities undertaken on the production facilities from which the electricity was acquired to increase the energy efficiency and protect the environment.

3) Last Resort Supply Article 145

During the period of market opening in compliance with this Law, the right to last resort

supply shall be provided to the final customer of electricity and natural gas that is not entitled to public supply, in the following cases:

- 1) bankruptcy or liquidation of the supplier that supplied electricity until such time;
- 2) cessation or cancellation of the licence of the supplier that used to supply electricity, that is, natural gas up to that moment;
- 3) failed to select the new supplier following a termination of contract with the previous supplier, except in cases where the contract is terminated as a result of the customer's failure to meet their obligations; and
- 4) new customer that failed to select a supplier.

In cases referred to in paragraph 1 items 1) and 2) the right to last resort supply shall be exercised without consumers' request, whereas in case referred to in paragraph 1 items 3) and 4) the consumer's request shall be necessary.

The supplier that is not capable of supplying electricity to the final customer, in cases from the paragraph 1, items 1 and 2 of this Article, shall be obliged to notify the last resort supplier, customer and system operator on the date of supply suspension in a timely manner.

The last resort supply in cases described in paragraph 1, items 1 and 2 of this Article shall begin with the cessation of the sales agreement with the previous supplier, in case that the final customer continues to take over the electricity, that is, the natural gas, without concluding an agreement with the new supplier.

The last resort supply may last for a maximum of 60 days. In case that the final customers fail to conclude the agreement from paragraph 5 of this Article with the supplier, the system operator shall terminate energy or natural gas supply.

Article 146

Based on the open tender procedure, the Government shall designate the supplier to provide last resort supply (hereinafter: the last resort supplier)

The decision on opening of tender procedure from paragraph 1 of this Article shall specifically contain the criteria for selection of the last resort supplier, terms and conditions and method of price formation and change, contractual terms and conditions, as well as the duration of the term for which the last resort supplier shall be appointed. The price from the paragraph 2 of this Article may not be lower than the for which the transmission and/or distribution system operator sells electricity or natural gas for system balancing..

The last resort supplier shall be obliged to notify the customer on terms and conditions of supply and price of the electricity, that is, of the natural gas, and to publish these on its website or in some other adequate manner.

Last resort supplier shall forward the full supply sale contract in writing to the final consumer within 3 days from the day the supply starts.

Should the final consumer fail to conclude the contract referred to in paragraph 5 of this Article, he shall be under the obligation to pay for the supplied electricity or natural gas.

In case that no last resort supplier is selected in the manner referred to in paragraph 1 of this Article, the Government shall designate the supplier that will temporarily perform the function of the last resort supplier.

4) Suspension of Supply of Electricity, i.e. of the Natural Gas upon Request by Supplier or Public Supplier

Article 148

Supplier, and/or the public supplier, may request from the system operator to discontinue delivery of electricity, i.e. of the natural gas to the final customer due to the failure of the final customer to perform their obligations from the sales agreement.

With the discontinuation of delivery from the paragraph 1 of this Article, the sales agreement shall not be rendered invalid and the final customer shall have the same obligations during the period of discontinued delivery arising from the sales agreement that pertain to the access to the system.

The supplier, and/or the public supplier, shall be obliged to notify the customer in writing, before submitting the request to the system operator for discontinuation of delivery to the final customer due to their failure to settle their outstanding liabilities from the sales agreement, to pay their due obligations within a deadline that cannot be shorter than 15 days nor longer than 30 days from the date of delivery of this notification, that is to reach an agreement on performance of their obligation, and to warn the customer about the obligation to undertake all the necessary measures in order to protect human lives or health, safeguard the property and protect the environment.

In case that the customer fails to perform their obligations within the deadline provided, the supplier, that is, the public supplier, shall submit a request for suspension of delivery of electricity, that is, of the natural gas, to the system operator for the system to which the facility of the customer is connected.

The system operator shall be obliged to suspend the delivery of electricity, that is, of the natural gas, to the customer that failed to settle their outstanding liabilities after the notification pursuant to provisions of this Article, based on the request from the supplier, that is, from the public supplier, within a deadline that may not be longer than 8 days from the date of receipt of the request.

Conditions and procedure for suspension of delivery and rights and obligations of the system operator, supplier, and/or public supplier and final customers shall be regulated in more details in an ordinance referred to in Article 160 hereof on terms and conditions of delivery and supply of electricity, and/or of the natural gas.

5) Rules for Change of Supplier

Article 148

Terms and conditions and procedure of change of supplier of electricity or natural gas shall be established in the rules passed by the Agency, which shall especially contain:

- 1) Conditions and procedure of change of supplier;
- 2) Conditions that must be met by the supplier in relation to the balance responsibility;
- 3) Obligations of the supplier with the agreement in the termination procedure;
- 4) Obligations of the system operator;
- 5) Rights of the new supplier in relation to the access to transmission, transport and/or distribution system for the needs of supply to the new customer.

Before any change of supplier, the customer and supplier, which has supplied the customer up to the change of supplier, are both obliged to settle their mutual financial obligations.

The change of electricity or natural gas supplier shall be free of charge for the customer.

6) Energy-wise Endangered Customer

Article 149

The following households may be granted status of an energy-wise endangered customer:

- 1) A member of which exercises their welfare rights based on the act passed by the body competent for welfare issues;
- 2) With a member whose life or health may be subjected to danger, loss or destruction by the suspension or limitation of delivery of electricity or natural gas due to their health condition, disability or physical incapacity.

The energy-wise endangered customer from the paragraph 1 of this Article shall be entitled to the delivery of certain amounts of electricity and natural gas and to the delivery suspension under special conditions and they shall be entitled to all other rights in compliance to this Law and in compliance to the law regulating the social welfare.

The Government shall pass an act to regulate criteria, manner of protection, conditions, deadlines and procedure for determining the status of an energy-wise endangered customer, source and manner of providing funding for the delivery of certain amounts of electricity or natural gas under special conditions and the method of keeping records on the energy-wise endangered customers .

7) Rights and Obligations of Customers and Unauthorized Use of Electricity and Natural Gas

Article 150

In case of some technical or other disruptions in energy delivery, the cause of which is not located in the customer's facility, the customer shall be entitled to request that such disruptions be removed within a reasonable deadline.

A deadline of 24 hours shall be considered to be the reasonable deadline for removal of disruptions in energy delivery to the customers, and this deadline may not be longer than two days from the receipt date of the notification on disruption.

The disruption in energy delivery in the sense of the paragraph 1 of this Article shall not be considered to be disruptions in the energy delivery caused by the measures from Article 160, items 4 and 5 hereof.

Article 151

The customer shall use the electricity and the natural gas under conditions, in the manner and for the purposes established in the approval for connection and in the sales contract, by the law and other regulations passed on the basis hereof.

Article 152

The customer shall provide the authorized persons with the system operator with the access to the metering devices and installations, as well as to the point of connection for the purposes of meter reading, validation of proper functioning, repairs, replacements, maintenance and control of proper functioning of the metering and other devices with metering boxes, taking care of the metering point and cutting-off of the energy delivery.

If the customer, in a case listed in the paragraph 1 of this Article, should obstruct the access of the authorized persons with the systems operator, the system operator shall be entitled to dislocate the metering point, and the customer shall put up with this displacement in compliance with the technical terms and conditions stipulated in the rules of operation of the system to which the facility is connected.

The system operator shall be entitled to discontinue the delivery of electricity, i.e. of the natural gas, if, in the case listed in the paragraph 2 of this Article the dislocation of the metering

place should not be possible in compliance with the regulations and technical terms and conditions stipulated in the rules of system operation.

Article 153

In case of technical or some other disruptions in the delivery of electricity, i.e. of the natural gas, the cause of which is located on the facility of the customer or in a case where the customer fails to perform their contractual obligations, the system operator shall discontinue the energy delivery to the customer, under conditions and in the manner stipulated by this Law, by the act on terms and conditions of delivery and supply of electricity, i.e. of the natural gas, and by other regulations that were passed in compliance with this Law.

Before discontinuing the energy delivery, a notice must be delivered to the customer in writing, containing the deadline for removal of perceived irregularities and defects.

The deadline from the paragraph 2 of this Article may not be shorter than three days from the date of notice delivery.

System operator shall resume the delivery of electricity, i.e. of the natural gas within 24 hours from the removal of the cause of delivery suspension at the latest.

The system operator shall additionally discontinue the delivery of electricity, i.e. of the natural gas upon a request by the customer, providing that the energy delivery suspension is requested for a period of one year at the minimum.

Article 154

If the delivery of electricity, i.e. of the natural gas is suspended in cases and under conditions from the Article 147 hereof exceeded the period of one year, the system operator shall cut the facility off the system.

The system operator shall additionally cut the customer's facility off the system in cases when the facility, that is, the installations of the facility do not meet the criteria stipulated by the legal regulations and present a direct threat to the lives and health of people, environment and property, and upon request by the customer.

A written notice must be delivered to the customer 24 hours before the cut-off at the latest, except in cases where the immediate threat to the lives and health of people, environment and property has already taken place, or in cases where the postponing of the cut-off may cause fire, explosion, electric shock and pollution, i.e. other harmful consequences.

Article 155

In case of the suspended delivery or a cut-off of the customer's facility, as stipulated in the Articles 147, 152 and 153, the customer shall be entitled to lodge a complaint.

The system operator shall reach a decision on the complaint within 3 days from the receipt thereof.

In case that it was established that the complaint was well-grounded, the system operator shall resume the delivery of electricity, i.e. of the natural gas, immediately, and within 24 hours from the time of decision that the complaint was well-grounded at the latest.

Article 156

It is forbidden to connect the facilities to the system without a prior approval for connection, to arbitrarily connect the facilities, devices or installations to the transmission, transportation or distribution system, or to put such facilities, devices or installations in operation.

It is forbidden to use the electricity and natural gas without or bypassing the metering devices or contrary to the conditions stipulated in the approval for connection on reliable and

accurate metering of withdrawn electricity and natural gas or in the sales contract on the purpose of the electricity, i.e. of the natural gas consumption.

Article 157

In cases where the system operator has established the unauthorized use of electrical energy, i.e. of the natural gas by a legal or physical person and or that such a person is acting contrary to the restrictions from the Article 156 hereof they shall be obliged to immediately disconnect such a facility from the transmission, transportation or distribution system and to take measures pursuant to law.

XV. CONDITIONS OF DELIVERY AND SUPPLY OF ELECTRICITY AND NATURAL GAS, SECURITY OF SUPPLY AND MEASURES IN CASE OF DISRUPTIONS IN FUNCTIONING OF THE ENERGY SYSTEM OR MARKET DISTURBANCES

Article 158

The Government shall prescribe detailed conditions for delivery and supply of electricity and natural gas to the customers, as well as the measures that will be undertaken in case of a perceived threat to the safety of delivery of electricity and natural gas to the customers due to the disturbances in functioning of the energy system or due to the disturbances in the market.

Detailed conditions for heat supply, as well as the measures to be taken in cases of a perceived threat to the safety of heat supply to customers due to the disturbances in functioning of the heat supply system, shall be passed by the relevant body of the local self-government unit.

Article 159

The Ministry shall produce and publish a report on security of electricity and natural gas supply on the annual basis and publish in on the Ministry's website.

The report on security of electricity supply shall contain the following:

- a. An assessment of operational security of the transmission and distribution system;
- b. Information on planned consumption levels and production levels of the electricity, as well as the method of providing for the deficiencies in quantities necessary for the following five year's period;
- c. Projected security of supply for the following period of five to fifteen years;
- d. Investment plan for the transmission system and transmission system users for the following period of five to fifteen years, including the construction of interconnectivity transmission lines;
- e. Mechanisms for congestion management in the transmission and distribution systems in compliance with the Energy Community Treaty and in compliance with the rules of the European associations of transmission systems' operators;
- f. Measures to be taken to cover for the peak consumption levels and measures to be taken in case that one or several suppliers should fail to sufficient quantities of electricity;
- g. Scope and quality of transmission and distribution system maintenance;
- h. Regional, national and European targets of sustainable development, including the international projects.
- i. Diversity of primary sources of energy for production

The report on security of natural gas supply shall contain the following:

1. An assessment of operational security of the transmission and distribution system;
2. Information on capacities of the natural gas storage facilities;
3. Information on the planned natural gas consumption and production levels, as well as the method of providing for the deficiencies in quantities necessary for the following five year's period;
4. Information on planned construction of energy facilities necessary for the provision of natural gas security of supply;
5. Information on the quality and level of energy facilities maintenance;
6. Scope of agreements on long-term supply of natural gas, and especially on the remaining period of their validity periods, as well as information on the liquidity levels of natural gas market;
7. Measures to be taken to cover for the peak consumption levels and measures to be taken in case that one or several suppliers should fail to provide for the sufficient quantities of natural gas;
8. Influence of measures from the Article 160, paragraphs 2 and 3 and from the Article 165 hereof to the security of supply;
9. Incentive measures for new investments in exploration, production, transportation and storage of natural gas, including the Article 119 hereof.

Article 160

The terms and conditions of delivery and supply of electricity and natural gas shall regulate the details of:

- 1) Conditions and procedure of granting approvals for connection to the system and system interconnections;
- 2) Metering point and point of unbundling of responsibilities for the delivered electricity and natural gas;
- 3) Conditions and procedure for connection of temporary facilities, construction sites and facilities in trial run, and of other facilities pursuant to the law regulating the construction of facilities;
- 4) Measures to be undertaken in cases of short disruptions caused by outages and other unforeseen circumstances that threaten the safety of energy system functioning, as well as due to the unforeseen and necessary energy facilities maintenance works or necessary system expansion works;
- 5) Measures to be taken in cases of general energy shortage, conditions and procedures of measures' taking and order of limitations in the delivery of energy and energy sources, as well as the measures for energy savings and rational energy consumption in a case of general shortage of electricity, i.e. of the natural gas;
- 6) Conditions and procedure for electricity and natural gas supply cut-offs;
- 7) Conditions and procedures for rational use of energy and electricity and natural gas savings;
- 8) Conditions of supplying customers' facilities to which electricity, that is, natural gas supply cannot be suspended on account of unsettled outstanding liabilities for the delivered electricity and/or natural gas, or in some other cases;
- 9) Method of regulating relations between the supplier, system operator and final customer to whom electricity and/or natural gas supply cannot be suspended;
- 10) Conditions and method of metering the delivered electricity, that is, the natural gas;
- 11) Method of calculation of unauthorized withdrawal of electricity, that is, of the natural gas;
- 12) Method of final customer notification;

- 13) Conditions and measures for supply of electricity or natural gas customers;
- 14) Accounting period and mandatory information on the bill for the delivered electricity and natural gas.

In order to provide for the safety of natural gas supply, the Government shall pass the Prevention Action Plan, which shall contain risk assessment for achieving safety of supply, as well as the measures for mitigation of perceived risks that pertain to the necessary transportation capacity which would meet the total demand for natural gas and provide for supply of certain groups of natural gas final customers.

In order to provide for the safety of supply of natural gas, the Government shall pass the Crisis Plan stipulating measures, energy entities tasked with providing safety of transportation system functioning and safety of certain groups of final customers' supply, quantities and capacities of natural gas, in the cases of general natural gas shortages.

Article 161

The measures from Article 160, items 4 and 5 hereof shall be implemented based on the plans for restrictions in supply of electricity and natural gas that are passed by the system operators.

Article 162

The decision on application of measures from Article 160, item 4 hereof shall be passed by the system operator.

Article 163

The decision on taking measures from Article 161, item 5 hereof shall be passed by the Government, on the proposal by the Ministry, and upon receiving prior notification from the system operator on the occurrence of circumstances requiring that these measures be taken.

The decision from paragraph 1 of this Article and plan for restrictions in supply of electricity, that is, of the natural gas, which serves to undertake measures from Article 160, item 5 hereof, shall be published in public media 24 hours before the introduction of measures to which the decision pertains at the latest.

Article 164

In cases where the safety of supply to customers or the safety of energy system functioning is threatened due to the insufficient supply in the energy market or due to the occurrence of other extraordinary circumstance, the Government shall stipulate measures to limit the delivery of electricity, that is, of the natural gas, or some special conditions for import or export of certain types of energy, method and conditions for determining and control of prices, delivery obligation to certain consumers only or special conditions for performance of energy business activities with the minimum disruptions in energy market in the immediate environment.

In cases from paragraph 1 of this Article, the Government shall stipulate the method of provision, that is the sources of funding for damage compensation for energy entities that implement these measures, as well as the conditions and method of distribution of funds for damage compensation purposes.

Measures from paragraph 1 of this Article may remain in force as long as there are circumstances due to which these were introduced, that is, as long as there are circumstances due to which these were introduced, that is during the entire period of duration of consequences caused by these circumstances.

The Ministry shall deliver reports on measures from paragraph 1 of this Article to the relevant bodies pursuant to the obligations arising from the ratified international agreements.

XVI. OIL AND OIL DERIVATIVES

8) Performance of Business Activity

Article 165

Energy entities performing the energy business activities in production of oil derivatives; transportation of oil via oil pipelines; transportation of oil derivatives via oil derivatives product lines; transportation of oil and oil derivatives and biofuels via other types of transportation; oil, oil derivatives and biofuels storage; trade in oil, oil derivatives, biofuels and compressed natural gas; trade in motor and other fuels in gas stations for motor vehicles supply and biofuels production, shall be obliged to use and maintain energy facilities in compliance with the technical regulations and standards referring to the business activity they perform, as well as in compliance with the fire, explosion and environmental protection conditions stipulated by the law and other regulations.

Provisions of the law regulating the mining sector shall apply to entities using the collection and transportation and storage systems for oil in exploitation fields.

2) Transportation of Oil and Oil Derivatives

Article 166

Energy entities performing the business activity of oil transportation via oil pipelines or the business activity of oil derivatives' transportation via product pipelines shall be obliged to establish the dynamics of construction of new and refurbishing of existing transportation facilities, funding sources and other conditions for the development of transportation system in their development plans for the five years period, as well as the programs and measures aimed at reduction of losses in transportation system and they shall be responsible for the realization of their development plans.

Article 167

Energy entity performing the business activity of oil transportation via oil pipelines or transportation of oil derivatives via oil product lines shall pass Rules of Operation of transportation system of oil via oil pipelines, that is, the Rules of Operation of transportation system for oil derivatives transportation via oil products pipelines that will specifically contain: the technical requirements for safe system operations, technical conditions for connections to the system; procedures in the case of outages and emergencies, rules on access to the oil transportation system, i.e. to the oil derivatives transportation system; conditions regarding the quality of oil, that is, the quality of oil derivatives that are handed over for transportation, rules on measurement with defined necessary measuring equipment and other conditions for transportation.

The Agency shall approve the rules of operation from paragraph 1 of this Article.

The rules from paragraph 1 of this Article shall be published in the Official Gazette of the Republic of Serbia.

Article 168

Energy entity that performs the business activity of oil transportation via oil pipelines, that is the business activity of oil derivatives transportation via oil product lines, shall be obliged to enable the transit of oil via oil pipeline or the transit of oil derivatives via product lines on the principles of regulated access, non-discrimination and transparency, abiding by the signed international conventions or agreements.

Energy entity performing the business activity of oil transportation via oil pipelines or oil derivatives transportation via oil product pipelines may deny access to system upon a request

for transit of oil via oil pipelines or for transit of oil derivatives via oil product pipelines if there are any technical and technological restrictions, if oil pipelines or oil product lines capacities are replete, or due to the undertaken contractual obligations and oil or oil derivatives consumption by the customers in the territory of the Republic of Serbia.

The denial of request for transit of oil shall be governed by the procedure referred to in Article 124 hereof.

Article 169

Energy entity performing the business activity of oil transportation via oil pipelines, that if of oil derivatives transportation via oil product pipelines shall be obliged to provide the confidentiality of commercial and business information of energy entities and energy customers, as well as of other information available to them over the course of their business activities.

3) Safety of Supply and Operational Reserves

Article 170

Energy entities that supply oil derivatives to customers and customers of oil derivatives using the oil derivatives for production of electricity or heat shall be obliged to provide operational reserves that are equal to the fifteen days' average demand of these customers in the previous year at the minimum, in addition to the obligatory strategic oil reserves pursuant to the special law.

Operational reserves of oil derivatives shall be used for providing safety of energy supply for the general population and economy.

The Ministry shall stipulate in more detail the conditions and method of providing, use and renewal of operational reserves of oil derivatives.

Operational reserves of oil and oil derivatives must be separated from the mandatory reserves.

Article 171

Energy entities that perform the business activity of production and trade in oil, oil derivatives, biofuels and compressed natural gas and the business activity of trade in motor and other fuels in gas stations for supply of motor vehicles shall be obliged to deliver the following to the Ministry:

- 1) Information on procurement and sales of oil, oil derivatives, biofuels and compressed natural gas in relation to the quantity, origin, price and quality, and
- 2) Information on prices of oil derivatives with and without excise duties and taxes.

The Ministry shall stipulate the deadlines, content and method of delivery of information from paragraph 1 of this Article in more detail.

4) Quality Control of Oil Derivatives and Biofuels

Article 172

Oil derivatives and biofuels on the market must meet the conditions stipulated by the regulations on quality of liquid oil fuels and biofuels, regulations on environmental protection, technical and other regulations pertaining to the sale of oil derivatives.

XVII. HEAT ENERGY

1. Heat Energy Production

1) Heat Energy Producers

Article 173

Energy entity that produces the heat energy (hereinafter: the heat energy producer) shall be obliged to maintain the production facilities in working order, to provide for their constant operational and functional capability and safe use in compliance with the technical and other regulations and standards pertaining to the conditions of exploitation of this type of facilities and installations, their safety and conditions for environmental protection stipulated by the law and other regulations.

Article 174

Heat producer with a founding act or with an act on entrusting heat production activity that oblige them to produce heat for tariff customers shall delivery the produced heat to the energy entity performing the activity of tariff customers heat supply in accordance with the annual balance of tariff customers' requirements.

Heat producer from paragraph 1 of this Article and energy entity performing the activity of tariff customers heat supply in cases where the two activities are not performed within the same legal entity, shall conclude annual agreement on the sale of heat for the needs of tariff customers in writing.

2) Heat Distribution and Supply

Article 175

Energy entity performing the business activity of heat distribution (hereinafter: the heat distributor) shall in addition perform the business activity of heat supply to the tariff customers under conditions stipulated by this Law and regulations passed by the relevant body of the local self-government unit.

The heat distributor shall be obliged to distribute heat to all heat customers in the territory in which it performs the above said business activity, based on the principles of transparency and non-discrimination.

Article 176

The heat distributor shall be responsible for maintenance, operations and development of the distribution system that is adequately matched with the needs of the customers to which they deliver the heat in a certain territory.

The heat distributor shall prepare five years development plans specifying the method and dynamics of the construction of new and refurbishing of the existing distribution system and other distribution capacities.

The heat distributor shall be responsible for the implementation of the development plans from paragraph 2 of this Article, as well as to submit annual reports on the realization of the above said plans to the local self-government unit.

Article 177

The heat distributor shall adopt the Distribution Grid Rules, with the approval of the relevant body of the local government unit, town, and/or of the City of Belgrade.

The Distribution Grid Rules shall specify in particular the following: technical conditions for connection of users to the system, technical conditions for connection with the producer, technical and other conditions for safe operation of the distribution system and for providing secure and uninterrupted heat supply to customers, emergency procedures, rules on metering with the defined necessary metering equipment.

The Rules referred to in paragraph 1 of this Article shall be published in the media of local self-government units, town, and/or of the City of Belgrade.

Article 178

The relevant body of the local self-government unit, town, and/or of the City of Belgrade shall regulate conditions and method of ensuring the continuity of heat supply to customers in the territory of its jurisdiction, rights and obligations of the heat distributors, rights and obligations of heat customers, it shall pass tariff systems, issue licenses, adopt tariff levels and give approvals to heat prices, as well as stipulate other conditions necessary for providing regular and secure heat supply to customers in accordance with the law.

A local government unit may establish one energy entity for performing the activities of heat production, distribution and supply to customers.

In case referred to in paragraph 2 of this Article, the act on establishment shall stipulate conditions and method of performing these individual activities within the energy entity.

XVIII. ENERGY EFFICIENCY AGENCY

Article 179

Energy Efficiency Agency has been established as a special organization for performing professional activities of improving conditions and measures for rational use and savings of energy and energy sources, as well as to achieve increased energy efficiency in all the energy consumption sectors.

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

Article 180

The Energy Efficiency Agency shall perform professional activities in relation to: promotion of energy efficiency in the Republic of Serbia and promotion of importance of the energy efficiency, programs and projects management for rational energy use and increased use of renewable energy sources, as well as other activities stipulated by the law.

The Energy Efficiency Agency shall submit annual report on the results of its work in the previous year, with a proposal of measures to the Government, through the Ministry.

IXX. INSPECTION SUPERVISION

Article 181

Supervision of implementation of provisions hereof and regulations passed on the basis hereof shall be performed by the Ministry.

Inspection supervision shall be performed by the relevant Ministry through its inspectors within the scope of authorities stipulated by the law.

Autonomous Province shall be entrusted with the performance of inspection supervision in the territory of the Autonomous Province.

Ministry competent for trade affairs shall also supervise the implementation of the provisions of this Law and regulations passed on the basis of this law through market inspectors in accordance with the statute governing trade and the statute governing consumer protection.

1) Inspectors

Article 182

The activities of an electrical power inspector can be performed by a person who has acquired high education on second-level studies (graduate academic studies – master, specialist academic studies, specialist applied studies) or in the course of graduate studies lasting at least 4

years, that is, who meets other conditions regulated by the statute governing the rights and obligations of civil servants, other regulation or act on internal organisation and systematics of posts in the ministry, and who has passed the relevant professional exam..

The activities of an inspector for pressurized equipment can be carried out by person who has acquired high education on second-level studies (graduate academic studies – master, specialist academic studies, specialist applied studies) or in the course of graduate studies lasting at least 4 years that is, who meets other conditions regulated by the statute governing the rights and obligations of civil servants, other regulation or act on internal organisation and systematics of posts in the ministry, and who has passed the relevant professional exam. The inspector shall be independent in his/her work within the scope of authorities stipulated by the law and other regulations and shall be personally accountable for his/her work.

The Ministry in charge of energy sector shall stipulate detailed form and contents of the inspectors IDs.

2) Rights and Obligations of Electrical Power Inspector

Article 183

Electrical power inspector shall perform inspection supervision of facilities for production, transmission and distribution of electricity and in other facilities with voltage levels over 1kV, in compliance with the authorities stipulated by the law.

Article 184

The electrical power inspector shall be entitled and obliged to inspect the following:

- 1) whether the energy permit has been acquired in compliance with this Law;
- 2) whether the approval of the relevant body has been acquired in compliance with regulations on construction of facilities;
- 3) whether the technical documentation for the setting of the devices and installations has been prepared;
- 4) whether the energy entities performing the electricity production, transmission and distribution activities meet the stipulated criteria for performance of these activities;
- 5) whether the electrical power facilities, devices and installations are regularly maintained in the course of their operation and whether the control of installations and devices is carried out in compliance with the technical regulations and standards;
- 6) whether the persons operating the said electrical power facilities, devices and installations and persons working on the electrical power facilities maintenance meet the stipulated conditions for such activities;
- 7) The quality of the supplied electricity.

The electrical power inspector shall carry out other activities stipulated by the law or regulations adopted on the basis of the law.

3) Rights and Obligations of Equipment Inspector for Pressurised Equipment

Article 185

The pressurized equipment inspector shall carry out the inspection supervision of energy facilities for: oil and oil derivatives transportation, natural gas transportation and distribution, production of oil derivatives, as well as of other energy facilities with pressurized equipment in compliance with the authorities stipulated by this Law.

The pressurized equipment inspector shall carry out the inspection supervision of other facilities with pressurized equipment, too, in cases stipulated by the law and other regulations.

Article 186

The pressurized equipment inspector shall be entitled and obliged to inspect the following:

- 1) whether the energy permit has been acquired in compliance to this Law;
- 2) whether the approval of the relevant body has been acquired in compliance with regulations on facilities construction;
- 3) whether technical documentation for the setting of the devices and installations has been prepared;
- 4) whether the installation and testing of the pressurized equipment is carried out in compliance with the law, technical regulations and standards;
- 5) whether energy entities using pressurized equipment in their operation meet the conditions stipulated by the law regarding performance of these activities;
- 6) whether the pressurized equipment is regularly maintained in the course of its operation and whether it is regularly checked and tested in compliance with technical regulations and standards;
- 7) whether persons operating the pressurized equipment and persons working on the pressurized equipment maintenance meet the stipulated conditions for these activities;
- 8) Quality of the supplied natural gas.

The pressurized equipment inspector shall in addition carry out other activities stipulated by the law or regulation adopted on the basis of the law.

4) Scope of Inspectors' Authorizations

Article 187

The electrical power inspector and the pressurized equipment inspector shall have the following authorities in performing the inspection supervision:

- 1) to order that the identified irregularities and defects be redressed within the deadline that they define;
- 2) to suspend installation of devices, plants and installations or pressurized equipment if the identified irregularities and defects have not been redressed within the defined deadline;
- 3) to suspend the use of energy facilities, devices, plants, installations and pressurized equipment if the identified irregularities and defects have not been redressed by the deadline established in the decision on redress of perceived irregularities and defects and no request for deadline extension for redressing of perceived irregularities and defects have been made;
- 4) to ban the use of energy facility, that is, the use of devices, plants or installations or pressurized equipment if:
 - The operations of the energy facility, device, plant or installations or pressurized equipment may present a threat to the lives or health of people and property;
 - Identified irregularities and defects have not been redressed even after the deadline specified in the decision on suspension of use of the facility;
 - The licence of the energy entity has been revoked due to their failure to meet the stipulated conditions or due to their failure to acquire the license for performing the energy activity, with the exception of the case referred to in Article 25, paragraphs 1 and 2 hereof.

The energy entity, that is, another legal person and entrepreneur that have been instructed by the inspector's decision to redress the defects and irregularities shall be obliged to inform the inspector about the redressing of defects and irregularities in writing within the deadline specified in the decision.

Article 188

An inspector cannot participate in the preparation of the technical documentation and in carrying out of technical control of technical documentation for facilities for which he/she is in charge of carrying out the inspection supervision, nor may he or she participate in works on facilities in which he or she carries out the inspection supervision or to carry out expert supervision over the works on facilities in which he or she carries out the inspection supervision.

An inspector may not be a member of the Committee for Technical Testing of facilities for which he or she is in charge of carrying out the inspection supervision.

Article 189

The energy entity, and/or other legal entity and entrepreneur shall be obliged to provide unobstructed inspection supervision to the inspector, to allow him/her to enter the facilities, to put at his/her disposal all information required, documents and reports necessary for their inspection supervision.

Article 190

An appeal may be submitted to the Ministry against the decision of the electrical power inspector and the pressurized equipment inspector no later than 15 days from the date of receipt.

The appeal against the decision referred to in paragraph 1 of this Article shall not affect the enforcement of the decision.

XX. PENALTY PROVISIONS

1) Economic Offences

Article 191

An energy entity, and/or other legal entity shall be fined RSD 1.500.000 to RSD 3.000.000 for an economic offence if it:

- 1) Does not keep separate accounts for each energy activity, does not prepare annual balance sheet and profit and loss statements and fails to provide for the audit in compliance with the Article 19, paras. 1, 2 and 3 hereof;
- 2) fails to ensure confidentiality of commercial, business and other data obtain in performance of operations in its competence in accordance with Article 19 para. 4 hereof;
- 3) Starts performing the energy activity without a licence in compliance with the Article 20, paragraph 1 hereof;
- 4) fails to conclude a pre-contract or contract on purchase of electricity with privileged supplier in accordance with Article 59 paras. 2 and 3 hereof;
- 5) fails to perform duties established by this Act in accordance with Article 68 para. 3, Articles 72, 77, 91, 97, 103, 109, 143, 144, Article 145 para. 4 and 5, Article 147 para. 3 and 5 and Article 148 para. 2 hereof;
- 6) fails to pass grid operation rules or fails to act in accordance with such rules referred to in Article 72 para. 1 items 1 and 2, Article 77 para. 1, item 2), Article 91, Article 97 para. 1 item 2), Article 103 para. 1 item 2) and Article 109 para. 1 item 3) hereof;
- 7) fails to adopt a plan on taking over of measuring equipment in accordance iwht Article 77 para. 1 item 4 hereof;
- 8) fails to maintain internal gas installations in accordance with Article 106 para. 1 hereof;

- 9) Fails to provide access to the system in compliance with the Article 122, paragraph 1 hereof ;
- 10) Fails to harmonize the rules for capacity allocation in compliance with the Article 128, paragraph 3 hereof ;
- 11) Fails to deliver the act on connection prices to the Agency in compliance with the Article 132, paragraph 4 hereof;
- 12) Fails to connect the customer's facility to the system according to the inspector's order in compliance with the Article 132, paragraph 5 hereof;
- 13) Does not provide for the prescribed operational reserves in compliance with the Article 170 hereof;
- 14) Fails to provide for the inspection supervision and fails to comply with the inspector's decision in compliance with the Article 189 hereof;
- 15) Fails to take over or hand over facilities, equipment and plants in accordance with Article 203 hereof.

The person in charge in the energy entity and/or in other legal person shall in addition be fined RSD 100.000 to RSD 200.000 for economic offence.

2) Infringements

Article 192

An energy entity, and/or other legal entity shall be fined RSD 500.000 to RSD 2.000.000 for an infringement if they:

- 1) Fail to submit necessary information and documentation in compliance with the Article 5, paragraphs 4 and 5; Article 8, paragraph 3; ; Article 72, paragraph 1, item 19; Article 85, paragraph 2 hereof; Article 97 paragraph 1 item 18) hereof; Article 103 para. 1 item 16) hereof; article 109 para. 1 item 13) hereof and Article 171 hereof;
- 2) fails to pass a measures programme and fails to act in accordance with Article 17 hereof;
- 3) fails to offer system services in accordance with Article 69 paras 3 and 4 hereof;
- 4) fail to conclude agreements in compliance with Article 83, paragraphs 1 and 2; Article 86, paragraph 2; Article 91 para. 1 item 2); Article 112; Article 114; Article 123; Article 126; Article 127; Article 134; Article 141 hereof;
- 5) do not reach a decision upon the customer's application in relation to the facility connection in compliance with the Article 130, paragraphs 2 and 4 hereof;
- 6) do not connect the consumer's facility to the transmission, transportation or distribution system in compliance with the Article 133 hereof;
- 7) Fail to remove threes and other shrubs in compliance with the Article 139, paragraph 3 hereof;
- 8) fail to regulate financial obligations in accordance with Article 148 para. 2 hereof;
- 9) use electricity and natural gas contrary to Article 151 hereof;
- 10) Fail to provide the authorized persons with the access to the metering devices, installations and point of connection in compliance with the Article 152, hereof;
- 11) fail to serve a written notice in accordance with Article 153 hereof;
- 12) fail to serve a written information in accordance with Article 154 hereof;
- 13) Fail to inform the Inspector about the removal of deficiencies in compliance with the Article 187, paragraph 2 hereof;;
- 14) Fail to provide for the inspection supervision and fail to comply with the decision of the Inspector in compliance with the Article 189 hereof;

A responsible person in the energy entity, and/or in another legal entity shall be fined with RSD 50.000 to RSD 100.000 for the infringement referred to in paragraph 1 of this Article.

Article 193

An entrepreneur, and/or a physical person shall be fined RSD 10.000 to RSD 50.000 for the infringement if they:

- 1) fail to maintain internal gas installations in accordance with Article 106 para. 2 hereof;
- 2) Fail to provide access to energy facilities in compliance with the Article 138, paragraph 2 hereof ;
- 3) Plant trees and other shrubs in the vicinity of the energy facility and perform construction works or other works near the energy facilities pursuant to the Article 139, paragraphs 1 and 2 hereof;
- 4) Fail to pay for their financial obligations in compliance with the Article 148, paragraph 2 hereof;
- 5) use electric energy and natural gas contrary to Article 151 hereof;
- 6) Fail to provide the authorized persons with the access the metering devices, installations and point of connection in compliance with the Article 152 hereof;

A fine of from 5, 000.00 to 50,000.00 dinars shall be pronounced for an infringement to a natural person who:

1. fails to provide access to energy facilities in accordance with Article 137 para. 2 hereof;
2. Plant trees and other shrubs in the vicinity of the energy facility and perform construction works or other works near the energy facilities pursuant to the Article 139, paragraphs 1 and 2 hereof;
3. Fail to pay for their financial obligations in compliance with the Article 148, paragraph 2 hereof;
4. use electric energy and natural gas contrary to Article 151 hereof;
- 7) 5. Fail to provide the authorized persons with the access the metering devices, installations and point of connection in compliance with the Article 152 hereof;
6. Fails to inform the Inspector about the removal of deficiencies in compliance with the Article 187, paragraph 2 hereof;
- 8) 7. Does not provide for the inspection supervision and does not act upon the inspector's order in compliance with the Article 189 hereof. ;

A fine of from 10,000 to 50,000 dinars shall also be pronounced for infringement to the responsible person referred to in Article 17 paragraph 2 hereof.

XXI. TRANSITORY AND FINAL PROVISIONS

Article 194

Procedures commenced until the day this law enters into force shall be continued pursuant to regulations under which they were initiated.

Article 195

Regulations for implementation of this Law shall be passed within one year from the day this law enters into force, except for regulations referred to in Article 26, paragraph 8, Article 31 paragraph 3, Article 56 paragraph 9, Article 59 paragraphs 6 and 7 and Article 158 paragraph 1 hereof, which shall be passed within four months from the day this law enters into force at the latest.

Until regulations referred to in paragraph 1 of this Article are passed, the regulations passed pursuant to Energy Law ("RS Official Gazette" 84/04) shall apply, provided they are not contrary to provisions of this Law.

The national plan for use of renewable energy sources for the period until 2020 shall be passed until December 21, 2012.

Article 196

Methodologies referred to in Article 46 paragraph 1 item 1) of this Law shall be passed until August 1, 2012 at the latest.

Rules referred to in Article 46 paragraph 1 item 2) line (1) of this law shall be passed until October 1, 2012 at the latest, whereas the rules referred to in Article 46 paragraph 1 subparagraph 2) item (2) of this Law shall be passed within two years from the day this Law enters into force.

Decision on the price of system services referred to in Article 46 paragraph 1 item 5) line (1) of this Law shall be adopted until August 1, 2012 at the latest.

Until the methodologies referred to in paragraph 1 of this Article are adopted, corresponding methodologies adopted in accordance with the Energy Law ("RS Official Gazette" 84/04) shall apply.

Article 197

Energy entities that perform energy activity on the day this Law enters into force shall continue with operation in accordance with the provisions of this law.

Article 198

On the day this law enters into force, the Republic of Serbia Energy Agency established in accordance with the Energy Law ("RS Official Gazette" 84/04) shall continue operation in accordance with the provisions of this Law.

President and members of Agency's Council shall continue to perform the duties to which they were elected until the expiry of their term of office.

Article 199

Energy Efficiency Agency established as a special organisation by the Energy Law ("RS Official Gazette" 84/04) shall continue to operate in accordance with this law.

Article 200

The energy entity that on the date of coming into force hereof holds a license for the business activity of organizing electricity market shall continue performing its business activity until the regulations referred to in Article 89 hereof enter into force.

Licenses for performing energy activities of trading in electric energy in order to supply tariff customers, trade in natural gas in order to supply tariff customers, electric energy retail in order to supply tariff customers and natural gas retail in order to supply tariff customers issued until the day this Law enters into force shall valid until the day the licence for the performance of public supply of electricity or natural gas activity is issued in accordance with this law

If licence to perform public supply electricity or natural gas activity is not issued to the energy entity referred to in paragraph 2 of this Article, the sales contracts and other documents related to contracts shall be taken over by the energy entity that was awarded, in accordance with this law, the licence for the performance of public supply of electricity or natural gas activity, on the day the public supply licence is issued.

Energy entities that perform retail trade in natural gas for the needs of tariff customers on the day this law enters into force may file, until July 1, 2012 at the latest, a motion for amendments to the act on delegation of activity of general interest, for the territory on which they perform such activity, in order to designate the public supplier of natural gas, pursuant to Article 140 hereof.

Licences for performance of energy activities issued by the day this law enters into force shall be valid until the expiry of the time limit for which they were issued provided that activities for the performance of which such licences were issued are also prescribed by this law.

Licences for the performance of energy activities issued until the day this law enters into force shall be valid until the expiry of the time limit for which they were issued provided that activities for the performance of which such licences were issued are also prescribed by this law only under a different title and provided the energy entity, within 90 days from the day this law enters into force, forwards such licence to the Agency for the purpose of recording the altered title of activity and having a note made on the ruling whereby the licence was issued.

Provision of paragraph 5 of this Article shall also apply to energy entities to which two licences were issued for performance of activities envisaged as one activity by this law.

Article 201

Unbundling of system operators in terms of Articles 15 and 19 of this Law shall be carried out by October 1, 2012 at the latest.

Article 202

The Government shall designate the electricity public supplier, that is, the natural gas public supplier in compliance with the Article 140 hereof, by October 1st, 2012 at the latest.

Within 30 days from the commencement of performance of activity the electricity public supplier shall take over the contracts on purchase of electric energy from the privileged supplier concluded before this law has entered into force and conclude pre-contracts.

Last resort electricity supplier and last resort natural gas supplier referred to in Article 146 hereof shall be designated by October 1, 2012 at the latest.

The supplier referred to in Article 140 paragraph 7 hereof shall be designated by October 1, 2012 at the latest.

Final customers referred to in Article 145 hereof shall have the right to last resort supply with electricity until January 1, 2015, and with natural gas until January 1, 2016.

Article 203

The electrical power transmission system operator and the electricity distribution system operator shall be obliged to take over, that is to hand over the facilities, equipment and plants that are constituent parts of their respective systems by January 1st, 2013 at the latest, without any compensation, pursuant to Articles 70 and 75 hereof.

Energy entity performing trading activity for the purpose of supplying tariff electrical energy customers that owns electronic communication infrastructure shall have the right of easment on the electrical energy transmission facilities in order to set up and use such infrastructure.

The electrical power transmission system operator, that is, the electricity distribution system operator and system users shall be obliged to conclude agreements regulating the terms and conditions and method of taking over of facilities, equipment and plants that are constituent parts of their respective systems within five years from the date of coming into force hereof at the latest, pursuant to the Articles 70 and 75 hereof.

Article 204

The electricity distribution system operator shall be obliged to adopt the plan for takeover of metering devices, metering-distribution boxes, that is, connection lines, installations and equipment in the metering-distribution box and other devices in the facilities of the existing customers, that is, producers that make up the distribution system, in compliance with the Article 75 hereof within one year from the day this law enters into force.

The electrical distribution system operator shall take over and replace the metering devices in compliance with the dynamics referred to in Article 77 paragraph 3 hereof t, and in the case of metering-distribution boxes, that is the connection lines, installations and equipment

in the metering-distribution box, to take them over and replace them or take them over and bring them in line with the technical regulations and rules on operation for the distribution system within ten years.

Article 205

System operators and energy entities for oil transportation via oil pipelines and for transportation of oil derivatives via product pipelines shall forward the Code on System Operation referred to in Articles 74, 79 and 1687 hereof to the Agency for approval within 6 months from the date of coming into force hereof.

Natural gas transportation system operators and natural gas storage operator shall forward the rules referred to in Article 99 hereof to the Agency for approval, within nine months from the date of coming into force hereof, and the natural gas distribution system operators shall submit the rules referred to in Article 105 hereof to the Agency within six months from the date of publishing of the Code on Operation of the Natural Gas Transportation System to which they are connected.

Natural gas storage operation shall forward to the Agency, for approval, the rules referred to in article 110 hereof within twelve months from the entry into force of this law at the latest.

The transportation system operator shall pass and deliver the rules referred to in Article 87 hereof to the Agency for approval purposes and within nine months' deadline from the date of coming into force hereof, and rules referred to in Article 72 item 4 hereof by November 1st, 2011 at the latest.

The market operator shall forward the rules referred to in Article 92 hereof to the Agency within one year from the date of adoption of the Government act from the Article 89 hereof.

System operators for transmission and distribution of electricity and the natural gas transportation system operator shall forward to the for approval purposes Agency system development plans from Articles 72 item 5), Article 78 item 3) and Article 98 item 3) hereof, within one year from the date of coming into force hereof.

Energy entities shall pass the program of measures and appoint a responsible person from Article 17 hereof by November 1st, 2012 at the latest.

Article 206

The final customers of electricity and natural gas that by the date of coming into force hereof have selected their supplier in the market shall be supplied by the same supplier pursuant to the provisions hereof.

The final customers of electricity and natural gas that by the date of coming into force hereof have not selected their suppliers shall be supplied by the energy entities that supplied the tariff customers until such time, under regulated prices, until they select the supplier of their choice, and by December 31, 2012 at the latest.

The following shall be entitled to public supply:

- 1) As of January 1, 2013, the final customers of electricity, i.e. of the natural gas whose facilities are connected to the distribution system;
- 2) As of January 1, 2014, only households and small customers of electricity;
- 3) As of January 1, 2015, only the households and small customers of natural gas .

Provisions of the paragraph 3 of this Article shall apply accordingly to the new customers of electricity and natural gas that were not connected to the system until the day this law entered into force.

Article 207

As of the date of entry into force hereof, the Energy Law ("Official Gazette of the Republic of Serbia, issue 84/04) shall cease be in force, with the exception of provisions of the Article 15, paragraph 1, items 1 and 2, Article 66 paragraphs 5 and 6 and Article 70 paragraph 1, which cease to be valid on October 1, 2012 and the Law on electrical power inspection, construction inspection and the inspection of steam boilers ("Official Gazette of the Socialist Republic of Serbia", issues 5/83, 15/83, 24/85, 45/85, 6/89, 59/89 and 84/04 and "Official Gazette of the Republic of Serbia" issues 53/93, 67/93, 48/94 and 44/95) shall cease to be valid.

Article 208

This Law shall come into force on the eight day from the date of its publishing in the Official Gazette of the Republic of Serbia, where the provision of Article 67 paragraph 1 hereof shall apply as of October 1, 2012.