

The power utility company HEP position in the liberalized market is even more difficult, so the entry into investments is increasingly risky; because it derives that market is increasingly responsible for the security of supply. HEP less and less imports electricity because it has fewer needs and market share had declined: it lost supply of 4.3 TWh, with a tendency to lose further 1.6 TWh. Do they really need 3.6 TWh of TE Plomin C?

At the consultative referendum on the coal use in thermal power plant Plomin C in Labinstina, with power of 500 MW, came only 38% of registered voters, and those who came out declared almost a hundred percent against coal. The public interpreted that the referendum failed because it was reported that it would be valid if the majority had come out, what is not worth for the consultative referendum. Therefore, a referendum on TPP Plomin C succeeded, because most voted against coal, but as declaration was advisory in nature, locals' opinion does not bind authorities on anything. It is more the message to the investor not to come in a friendly environment, which is not unimportant. Familiar with the political situation in Istria are not especially surprised with so weak motivation of voters in the area. IDS murmurs against coal for years, but the referendum was timed just before the parliamentary elections, but it rejected the possibility to simultaneously declare about some other environmentally tricky projects in Istria. The party has created an opportunity to itself to gain some political points ahead of parliamentary elections which, as things stand, plan to go out alone and then with a couple of the mandate to form a coalition with the winner. Local residents, who mostly think that a new thermal power plant on coal is a done deal, recognized the hypocrisy of politics. There is a motive of personal gain. Local communities and local people can have significant benefit from the construction of this large energy facility that will charge accommodation for years. And, everyone still manages his own wallet.

In fact, we can say that this devastatingly low response in the referendum is primarily attack to the green organizations that are massively engaged against the project. Are the Greens consciously or unconsciously put themselves in the service of politics or it is indicated that a policy used them? The Greens have once been very active around Rockwool (which has been supported by IDS) but ended up with a misdemeanor and criminal charges which were dropped, but only their raising frightened people and created the impression that activism can be dangerous. However, Labinstina, which is not fully taking advantage of the power of the votes mass, in fact tacitly consented to coal. Still, there still will be many words on TPP Plomin C as it will be necessary to resolve much more for the successful implementation of the project.

HEP has signed a contract of exclusivity with the Japanese Marubeni hoping that a contract

will be concluded by the end of October. Term of the parliamentary election is somewhat inconvenient close. In previous conversations with Marubeni it was concluded that the project should be optimized and rationalized in relation to HEP's conceptual design. Marubeni has suggested a different plants arrangement, smaller dimensions and different technical and technological solutions, which would bring savings of up to 15%. However, in order these changes to be applied it will need to modify four of the five location permits obtained by HEP. Also, you will modify the concession on maritime domain, and HOPS will have to deal with numerous details about the connection to the electricity grid. However, it will be crucial for Croatia for the project realization to obtain the green light from the European Commission to enter into contracts for the electricity purchase (PPA - power purchase agreement), to which Europe is not inclined because it is considered to distort competition. The first idea was that HEP purchased half of the produced electricity from strategic investors, while the rest would be offered to the market. It turned out that the electricity price in this case was extremely high, and different options were discussed, that at the end there would eventually come to variants with long-term purchase of all the energy produced, and it is about 3.6 TWh per year. Thus calculated price is acceptable for HEP, but this is more relevant question of competition, or placing a strategic investor in a more favorable position compared to other market participants. In other words, given that HEP is state-owned company, which holds 85% of the electricity market, the question is whether the signature of such a contract for the electricity purchase is unlawful state aid which closes the electricity market.

In fact, HEP has exclusivity in manufacturing plants in Croatia, in which produces and puts 95% of its produced energy on the market, and HEP's competition does not have the ability to buy energy from domestic production. This can be changed by creating the electricity stock exchange on which HEP emerged as a market maker, but it seems that HEP will put only a small part of its production on the market. Monopolist position in the liberalized market is all the more difficult, however, so the entry into investments is increasingly risky; because it derives that market is increasingly responsible for the security of supply. HEP does not supply Aluminum with electricity any more, which "swallowed" almost 1 TWh, and there is almost 1 TWh of energy from renewable sources with priority purchase and the tendency of increasing production on the market. It is estimated that HEP has lost 2.3 so far TWh from the competition. Furthermore, HEP ODS as a universal service provider will have to purchase 25% of the energy in the tender this year, in transparent conditions, which opens the possibility HEP to stay without 1.6 TWh of supply. Cynics will say that any loss of market share improves balance to the electric power industry, which is so strongly

dependent on the import, while others doubt over its future, because HEP is less importer in recent years. In this light, all investments in new energy facilities, if there is any, must be competitive and profitable, otherwise they will downgrade the electric power industry and turn it into a cheap privatization target.

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