

Pursuant to Article 5 and 6 of the Energy Law ("Official Gazette of the Republic of Serbia", number 145/14) and Article 42, Paragraph 1 of the Law on Government ("Official Gazette of the Republic of Serbia", no. 55/05, 71/05 - correction, 101/07, 65/08, 16/11, 68/12 - US, 72/12, 7/14 - US and 44/14),

The Government makes

DECREE

**ON ESTABLISHMENT OF IMPLEMENTATION PROGRAM OF THE ENERGY SECTOR
DEVELOPMENT STRATEGY OF THE REPUBLIC OF SERBIA FOR THE PERIOD TO
2025 YEAR WITH PROJECTIONS TO 2030, THE YEAR OF THE PERIOD 2017 TO 2023**

STRATEGIC ENERGY PROJECTS

2.1. Basic Concepts Related to Strategic Energy Projects

In order to define the notion of strategic energy project, ways of promoting a project into a strategic one and liabilities and activities of the relevant institutions in monitoring of the implementation of strategic energy projects, terms with the following meanings are used:

- 1) energy infrastructure - represents parts of the energy system, which are located in the Republic of Serbia or connecting the Republic of Serbia with one or more countries;
- 2) decision to build the facility - represents all the decisions made in the process of obtaining permits for construction, not including court decisions and decisions made on appeal;
- 3) project - represents one or more parts of the energy infrastructure;
- 4) project of the Energy Community interest - a strategic energy project which is part of the list of projects of interest to the Energy Community;
- 5) energy infrastructure bottleneck - means limitation of physical flows in an energy system due to insufficient transmission capacity, which includes inter alia the absence of infrastructure;

6) project promoter - means one of the following:

(a) the transmission system operator (TSO), the system operator for transportation (SOT), the distribution system operator (DSO), or other operator, or investor developing a project of common interest;

(b) legal entity that is authorized by contract to accept legal obligations and bear the financial responsibility on behalf of parties to the contract, in the event that there are multiple system operators, investors, or groups of interested parties;

7) smart grid - means an electricity network that can integrate in a cost efficient manner the behaviour and actions of all users connected to it, including generators, consumers and those that both generate and consume, in order to ensure an economically efficient and sustainable power system with low losses and high levels of quality, security of supply and safety

8) works - the construction of the facility in terms of the law governing the planning and construction of facilities and procurement of equipment and services;

9) studies - activities necessary to prepare the execution of the project, in terms of the law governing the planning and construction of facilities and the law governing the protection of the environment;

10) commissioning - means the process of bringing a project into operation once it has been constructed.

2.2. Categories of Strategic Energy Projects

1) Electricity Sector:

(1) high-voltage overhead transmission lines, if they have been designed for a voltage of 110 kV or more, and underground and submarine transmission cables, if they have been designed for a voltage of 110 kV or more;

(2) electricity storage facilities used for storing electricity on a permanent or temporary basis in above-ground or underground infrastructure or geological sites, provided

they are directly connected to high-voltage transmission lines designed for a voltage of 110 kV or more;

(3) any equipment or installation essential for the systems defined in (1) and (2) to operate safely, securely and efficiently, including protection, monitoring and control systems at all voltage levels and substations;;

(4) any equipment or installation, both at transmission and medium voltage distribution level, aiming at two-way digital communication, real-time or close to real-time, interactive and intelligent monitoring and management of electricity generation, transmission, distribution and consumption within an electricity network in view of developing a network efficiently integrating the behaviour and actions of all users connected to it — generators, consumers and those that do both — in order to ensure an economically efficient, sustainable electricity system with low losses and high quality and security of supply and safety;

2) Sector of Natural Gas:

(1) pipelines for transport of natural gas and biogas, which are part of the transportation system;

(2) underground reservoirs of natural gas connected to the gas pipeline mentioned under (1);

(3) facilities for admission, storage, regasification or decompression of liquefied natural gas or compressed natural gas;

(4) equipment or installations which are important for safe, secure and efficient operation of the system, or allow bidirectional flow of natural gas, including compressor stations;

3) Sector of Oil:

(1) pipelines to transport crude oil;

(2) pumping stations and storage facilities required for the operation of the pipeline;

(3) any equipment or installation that is essential for the safe, reliable and efficient operation of the aforementioned system, including systems for security, control and management, as well as devices for reversible flow;

4) Priority thematic areas to be developed:

the introduction of the smart grid: smart grid technology implementation in the Republic of Serbia, with the aim of effective integration of behaviour and actions of all users connected to the electricity network, in particular the production of large amounts of electricity from renewable or distributed energy sources and controllable consumption;

2.3. Criteria and Assessment of Criteria

In order to be designated as a strategic one, the energy project must meet the general and specific criteria.

The general criteria are:

1) the project has to belong to one of the categories from Chapter 2.2;

2) overall potential benefit of the project, assessed according to specific criteria, exceeds the long-term total cost of the project;

3) that the project meets at least one of the following criteria:

- it includes (besides the Republic of Serbia) at least one neighbouring Contracting Party of the Energy Community Treaty or an EU member,

- it is located on the territory of the Republic of Serbia, and has a significant cross-border impact on some of the countries with which the Republic of Serbia borders.

In order to have significant cross-border impact in accordance with point 3), line 2 of the general criteria, the project must meet the following requirements:

(1) for electricity transmission, the project increases the grid transfer capacity, or the capacity available for commercial flows, at the border of Republic of Serbia with one or several other states, or at any other relevant cross-section of the same transmission corridor having the effect of increasing this cross-border grid transfer capacity, by at least 500 Megawatt compared to the situation without commissioning of the project;

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(2) for electricity storage, the project provides at least 225 MW installed capacity and has a storage capacity that allows a net annual electricity generation of 250 Gigawatt-hours/year;

(3) for gas transmission, the project concerns investment in reverse flow capacities or changes the capability to transmit gas across the borders of the Republic of Serbia concerned by at least 10% compared to the situation prior to the commissioning of the project;

(4) for gas storage or liquefied/compressed natural gas, the project aims at supplying directly or indirectly at least two Contracting Parties of the Energy Community Treaty or the EU Members or at fulfilling the infrastructure standard (N-1 rule);

(5) for smart grids, the project is designed for equipment and installations at high-voltage and medium-voltage level designed for a voltage of 10 kV or more. It involves transmission and distribution system operators from at least two Contracting Parties of the Energy Community Treaty, which cover at least 50 000 users that generate or consume electricity or do both in a consumption area of at least 300 Gigawatthours/year, of which at least 20% originate from renewable sources that are variable in nature.

Specific criteria are the contributions of the project as follows:

1. For projects of transmission and electricity storage:

(1) market integration, and reducing the energy infrastructure bottlenecks, the competition and system flexibility;

This criterion shall be measured by calculating and assessing the impact.

For cross-border projects, the impact on the grid transfer capability in both power flow directions is calculated, measured in terms of amount of power (in megawatt), and their contribution to reaching the minimum interconnection capacity of 10% installed production capacity

For projects with significant cross-border impact, calculation is made for the impact on grid transfer capability at borders between the Republic of Serbia and the Contracting Parties of the Energy Community Treaty and EU member states, or within the Republic of Serbia and on demand-supply balancing and network operations in in the Republic of Serbia.

Impact assessment is being done for each individual project that includes all contracting parties and the Member States on whose territory the project will be built, all neighbouring parties and Member States and other contracting parties and the Member States to project a significant impact.

Particularly assessed is the impact in relation to the cost of production and transmission of electricity, evolution and convergence of market prices provided by a project under different planning scenarios, notably taking into account the variations induced on the merit order.

(2) sustainability, inter alia through the integration of renewable energy into the grid and the transmission of renewable generation to major consumption centres and storage sites;

This criterion shall be measured in line with the analysis made in the latest available 10-year network development plan in electricity by estimating the amount of generation capacity from renewable energy sources (by technology, in megawatts), which is connected and transmitted due to the project, compared to the amount of planned total generation capacity from these types of renewable energy sources in the concerned Member State in 2020 according to the National Renewable Energy Action Plan of the Republic of Serbia.

For electricity storage, the assessment is made by comparing new capacity provided by the project with total existing capacity for the same storage technology in the area that includes all the contracting parties and the Member State in whose territory the project will

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be built, all neighbouring parties and Member States and other contracting parties and the Member States to project a significant impact.

(3) security of supply, inter alia through interoperability, appropriate connections and secure and reliable system operation;

Security of supply, interoperability and secure system operation shall be measured in line with the analysis made in the latest available 10-year network development plan in electricity, notably by assessing the impact of the project on the loss of load expectation for the area that includes all the contracting parties and the Member State in whose territory the project will be built, all neighbouring Parties and Member States and other contracting parties and the Member States to which the project significantly, in terms of generation and transmission adequacy for a set of characteristic load periods, taking into account expected changes in climate-related extreme weather events and their impact on

infrastructure resilience. Where applicable, the impact of the project on independent and reliable control of system operation and services shall be measured.

2. For projects in priority thematic areas to be developed:

(1) Integration and involvement of network users with new technical requirements with regard to their electricity supply and demand;

This criterion shall be measured by assessing the methods adopted to calculate charges and tariffs, as well as their structure, for generators, consumers and those that do both, and the operational flexibility provided for dynamic balancing of electricity in the network.

(2) Efficiency and interoperability of electricity transmission and distribution in day-to-day network operation;

This criterion shall be measured by assessing the level of losses in transmission and in distribution networks, the ratio between minimum and maximum electricity demand within a defined time period, the demand side participation in electricity markets and in energy efficiency measures, the percentage utilisation (i.e. average loading) of electricity network components, the availability of network components (related to planned and unplanned maintenance) and its impact on network performances, and the actual availability of network capacity with respect to its standard value.

(3) Network security, system control and quality of supply;

This criterion shall be measured by assessing the ratio of reliably available generation capacity and peak demand, the share of electricity generated from renewable sources, the stability of the electricity system, the duration and frequency of interruptions per customer, including climate related disruptions, and the voltage quality performance.

(4) Optimised planning of future cost-efficient network investments;

This criterion shall be measured by assessing the reduction of greenhouse gas emissions, and the environmental impact of electricity grid infrastructure.

(5) Market operation and customer services, and contribution to cross-border electricity markets by load-flow control to alleviate loop-flows and increase interconnection capacities;

This criterion shall be estimated by assessing the ratio between interconnection capacity of a contracting party and its electricity demand, the exploitation of interconnection capacities, and the congestion rents across interconnections.

In addition, the following shall be valued - installed capacity of distributed energy sources in distribution networks, maximum allowable placement of electricity without congestion risks in transmission networks and energy that is not included in renewable energy because of the risk of congestion or security risks.