

Pursuant to Article 14 of the Electricity Market Act (Official Gazette of the Republic of Croatia 177/04 of December 23, 2004, I hereby enact

P R O G R A M

to ensure compliance with the principles of transparency, objectivity and non-discrimination in the operations of HEP-Operator prijenosnog sustava d.o.o.

I GENERAL PROVISIONS

Article 1

This Program sets out the conditions, rules, organization and methodology aimed to ensure compliance with the principles of transparency, objectivity and non-discrimination in the operations of HEP-Operator prijenosnog sustava d.o.o. (“the Company”) as required under Articles 11, 12 And 13 of the Electricity Market Act.

Article 2

The business activity of electricity transmission is carried out as a public service which must be available at all times to all customers and energy companies at a regulated price and on regulated terms of access and use, taking into account the security, reliability and quality of service, environmental protection, efficient use of energy and climate protection. The service is performed on the principles of openness to the public and of supervision by the authorities stipulated by law.

Article 3

In order to ensure successful market competition and equal position of all electricity market participants, the access to and use of the transmission network must be transparent, objective and non-discriminatory.

Article 4

This Program also sets out the specific obligations of employees to achieve the objectives of this Program.

Article 5

The Company is obligated to submit annual report on the implementation of this Program to the Croatian Energy Regulatory Agency (“Agency”) and publish it on its website.

II PROGRAM OBJECTIVES

Article 6

The enacting, applying and supervising of this Program and the public availability of the report on its implementation serve the purposes of transparency, objectivity and non-discrimination as the fundamental principles of the Company's equal treatment of all network users and energy companies.

Article 7

The main objectives of this Program is the application of the principles of transparency, objectivity and non-discrimination in the Company's daily carrying out of the electricity transmission activity as the basis for the mutual trust of the Company and network users and/or energy companies; to meet these principles the Company must be independent.

Article 8

To conduct its business on the principles of transparency, objectivity and non-discrimination is the Company's fundamental commitment and acting in accordance with these principles and their constant promotion is a continuous task and obligation of each employee of the Company.

Article 9

Managerial staff are particularly obligated to manage all work in their organizational units in accordance with this Program, especially the work related to network access and use and to complaints filed by network users and/or energy companies.

III TERMS AND RULES TO ENSURE COMPLIANCE WITH THE PRINCIPLES OF TRANSPARENCY, OBJECTIVITY AND NON-DISTRIMINATION

Article 10

(1) Under the law and its internal rules and regulations, the Company is independent in terms of its legal status, organization and decision-making from HEP-Operator distribucijskog sustava d.o.o., HEP-Proizvodnja d.o.o. and HEP-Opskrba d.o.o. and from the parent company Hrvatska elektroprivreda d.d. ("the parent company HEP d.d.")

(2) The Company's director is not allowed to participate in the management of the parent company HEP d.d. and/or be a member of the Management Board of the parent company HEP d.d.

(3) The Company's is autonomously responsible for the Company's operations and for the carrying out of the electricity transmission activity and must act independently from electricity production and electricity supply.

(4) The Company autonomously adopts Ordinary Operations Plan and Investment Plan and decides autonomously on funds needed for operation and maintenance, development and construction of the transmission network, independently from the parent company HEP d.d.

(5) Under the Croatian Companies Act, the parent company HEP d.d. approves the Company's annual financial plans and business operations.

(6) The approved financial plans of the Company are submitted to the Agency for monitoring and analyzing of their implementation.

(7) Every employee of the Company in the carrying out of their duties must act toward employees of other subsidiary companies and the parent company HEP d.d. with the care of a diligent manager as if these companies were totally separate.

Article 11

(1) Transparency in the Company's operations is based on the clear and visible management of affairs and procedures related to the business activity of electricity transmission.

(2) The Company may not subsidize other competitive subsidiary companies or the parent company HEP d.d.

The Company's director is obligated to prevent any outflow of financial resources intended for the electricity transmission activity into other business activities, whether during the financial year or during preparation of annual accounts.

(3) Any business relation of the Company with other subsidiary companies or the parent company HEP d.d. must be based on contract or equivalent document which clearly shows the subject matter of the relation, period of performance, monetary equivalent, and persons responsible for performance on both sides.

(4) The Company must keep business books for the electricity transmission activity.

(5) The business books must state income from ownership of energy assets, balance sheet and/or profit and loss account for the business activity of electricity transmission.

(6) The Company is obligated to submit annual report to the auditor which includes a balance sheet and/or profit and loss account for the transmission activity and a statement on non cross-subsidization of other competitive subsidiary companies or the parent company HEP d.d., and to submit the audited report to the Agency.

(7) The Company is obligated to publish on its website the criteria for dispatch of generating plants in its area, for the services it provides and for the determination of the use of interconnections with other networks.

(8) The Company is obligated to secure energy for coverage of transmission losses, for balancing energy and for system and ancillary services in accordance with the criteria of system security and reliability and market principles.

(9) The Company is obligated to adopt and publish on its website system balancing rules, including the rules for calculation of charges payable by network users for energy imbalance.

(10) The Company is obligated to ensure that information needed for efficient network access and use is available to network users by publishing relevant addresses.

(11) The Company is obligated to keep records of information requested by network users and of answers given by the Company.

(12) The Company is obligated to provide network access and use in accordance with the published General Conditions of Electricity Supply and Grid Code.

(13) The Company is obligated to provide a new connection to the network or increase in connected power in accordance with the published General Conditions of Electricity Supply and Rules on Charges for Connection to Electric Network and for Increase in Connected Power.

(14) The Company may, due to technical or operational constraints in the network, deny access to the network to electricity producers or eligible customers. In that case, the Company is obligated to inform network users stating the reasons for denying access and substantiating them with written evidence.

The Company must keep records of network access denial.

(15) The Company is obligated to publish and annually update on its website the information about the possibilities of transmission network use.

(16) The Company is obligated to charge for electricity transmission service in accordance with the approved tariff system and published tariff elements for electricity transmission.

(17) The Company is obligated to charge for connection to the network and for increase in connected power in accordance with the approved and published Rules on Charges for Connection to Electric Network and for Increase in Connected Power.

(18) The Company's employees whose work is related to transmission network access and use are particularly obligated to fulfill the condition of transparency set out in this Article.

Article 12

(1) The objectivity in the Company's operations is based on the equitable and unbiased treatment and procedures applied toward all network users and energy companies in the carrying out of the Company's obligations and responsibilities stipulated by law.

(2) The Company's director and managerial staff are obligated to make any of their decisions, instructions or orders falling within their authority on the basis of judgment which is independent from the parties concerned with such decisions, instructions or orders and based on true facts.

(3) In deciding on the financial resources needed for operation and maintenance, development and construction of the transmission network and in deciding on the purpose and use of such financial resources, the basic criterion is the security and reliability of the power system and acting with the care of a diligent manager..

(4) The Company is obligated to set objective criteria based on technical and economic reasons for dispatch of generating plants and for determination of the use of interconnections in its area, for the purpose of ensuring all system services.

(5) In the system balancing rules, including the rules on calculation of charges payable by network users for energy imbalance and in acting in accordance with these rules, the Company is obligated to ensure equitable procedures for determining and sanctioning energy imbalance.

(6) The Company is obligated to address any complaint filed by a dissatisfied party about the Company's operations in an equitable and careful manner and keep records of complaints and answers given thereto by the Company.

(7) In preparing and making decisions on transmission development and construction plans, the Company is obligated to apply objective criteria which start from the obligation to ensure a long term transmission network capability to meet reasonable transmission demands and the obligation to contribute to the security of supply by adequate transmission capacity and network reliability, and which include a reasonable investment payback period.

(8) In all of the Company's locations, unauthorized access to the premises from where power system is controlled (National Dispatch Center, transmission network control centers) is forbidden to other Company employees, to employees of other subsidiary companies and of the parent company HEP d.d. and to third parties.

(9) Data on the possibilities of using the network must be based on actual parameters of lines, transformers and plants in the transmission network and on their expected availability.

Article 13

(1) Non-discrimination in the Company's operations is based on preventing the actions which might in any way restrict or impede the right of the network user or energy company to access and use the transmission network.

(2) The Company is obligated to apply the criteria for dispatch of generating plants in its area and for determination of the use of interconnections with other networks in an equitable manner toward all network users and energy companies.

(3) The Company is obligated to secure energy for coverage of transmission losses and for balancing energy, and for provision of system services in a non-discriminatory manner in accordance with the Company's duty to ensure unhindered power flows in the transmission network and availability of all necessary ancillary services.

(4) In the balancing energy rules, including the rules on the calculation of charges payable by network users for energy imbalance and in acting in accordance with these rules, the Company is obligated to ensure an equal position and equal treatment of all network users and energy companies.

(5) The Company is obligated to ensure, in the carrying out of the transmission activity, an equal treatment of all network users and energy companies and to prevent discrimination against network users in favor of other subsidiary companies or the parent company HEP d.d.

(6) The Company is obligated to provide in an equitable manner the information needed by network users to efficiently access and use the network.

(7) Incoming and outgoing mail may only be opened or closed in the premises of the Company. All customers will be required to observe the official address of the Company and its organizational units.

The same applies to fax messages and e-mail.

(8) The Company is obligated to provide network access to network users in a non-discriminatory manner on the principle of regulated third party access which applicable to all network users in an equitable manner in accordance with the General Conditions of Electricity Supply.

(9) With respect to resolving any complaint of a dissatisfied party about the operations of the Company, the Company is obligated to prevent any form of restriction of rights or impediment to rights of the network user.

(10) The Company's employees whose work is related to network access and use have a particular obligation to fulfill the conditions of non-discrimination set out in this Article.

IV METHODOLOGY, RULES AND ORGANIZATION TO ENSURE THE PRINCIPLES OF TRANSPARENCY, OBJECTIVITY AND NON-DISCRIMINATION

(1) To ensure that the principles of transparency, objectivity and non-discrimination are complied with in the Company's operations, a method is used to define the terms and rules for achieving these principles and of an organization enabling the implementation and monitoring of these terms and rules.

(2) The terms and rules for ensuring the principles of transparency, objectivity and non-discrimination in the Company's operations are listed in Articles 10, 11, 12 and 13 of this Program.

(3) Under the Company's foundation charter, the Company's director is authorized to enact this Program and the Company's employees are obligated to comply with this Program.

(4) The organization for ensuring the principles of transparency, objectivity and non-discrimination in the Company's operations is based on the obligation to apply the rules of this Program, on employees' specific obligations in implementing this Program and on supervision of implementation of these rules.

(5) The Company's director and managerial staff are directly responsible and accountable for the implementation the rules of transparency, objectivity and non-discrimination in the Company's operations. All of the Company's employees are accountable for their conduct under this Program.

(6) The supervision of the implementation of the rules of transparency, objectivity and non-discrimination in the Company's operations will be performed by the Commission for Monitoring the Program to Ensure Compliance with the Principles of Transparency, Objectivity and Non-Discrimination (the "Commission").

(7) The Company's director appoints the Commission of 5 (five) members which will cover the areas of technical, legal and economic affairs in the territory of the Company's operations. The members of the Commission may not be managerial staff.

The Commission is obligated to monitor and supervise the implementation of this Program in the Company's daily operations.

The Commission is obligated to monitor the implementation of the provisions of this Program and to act on any complaints about compliance with this Program specifying the section of the Program and the person not in compliance.

(8) The Commission is obligated to prepare annual report on the implementation of this Program which report the Company submits to the Agency and publishes it on its website.

V EMPLOYEES' SPECIAL OBLIGATIONS IN PROGRAM IMPLEMENTATION

Article 15

(1) In the course of their work the Company's employees are obligated to act toward all network users and energy companies in accordance with the terms and rules for ensuring compliance with the principles of transparency, objectivity and non-discrimination and with other provisions of this Program.

(2) Significant issues relating to the Company's business and data on the network access and use that are not publicly available and accessible to all network users and energy companies in an equal manner are to be considered confidential.

The Company's employees are not allowed to disclose the information considered confidential to network users or energy companies. Any information considered confidential may be disclosed to other subsidiary companies and to the parent company HEP d.d. as well as to third parties only with the approval of the Company's director. This particularly applies to non-disclosure of commercially sensitive information, such as price offers for electricity purchase, acceptance or rejection of such offers, electricity selling prices, other than giving such information in response to those submitting the offers.

Unauthorized disclosure of confidential information will be considered breach of the basic work rules set out in the Company's Work Rules of October 26, 2005, and will be sanctioned in accordance with the Croatian legislation in force.

(3) The rule in resolving submissions filed by network users or energy companies will be, without exception, according to the date of receipt of submission.

(4) The Company's employees on managerial positions are obligated to organize, implement and monitor daily operations in accordance with this Program.

The implementation, monitoring and promotion of the principles of transparency, objectivity and non-discrimination under this Program, particularly with regard to network access and use

and conduct toward other competitive subsidiary companies and the parent company HEP d.d. are a continual obligation and responsibility of the Company's managerial staff.

(5) The Company's managerial staff are obligated to make a list of employees in their organizational units who work in network access and use or in other areas of significance for ensuring transparency, objectivity and non-discrimination in the Company's operations, and to organize and prescribe procedures for these employees

(6) The Company's employees who are appointed on the Commission have the obligation and the responsibility to monitor the efficiency of the implementation of this Program, to inform other employees of the Company of the ways of achieving transparency, objectivity and non-discrimination in the Company's operations and to timely inform the Company's director of any observed deviations or irregularities.

VI TRANSITIONAL AND FINAL PROVISIONS

Article 16

Any amendments or modifications to this Program shall be made in the same manner as this Program.

Article 17

This Program shall enter into force on the date of publishing on the Company's website.

Zagreb, May 22, 2006

Director

Miroslav Mesić