

Status of electric industry in Serbia

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Background



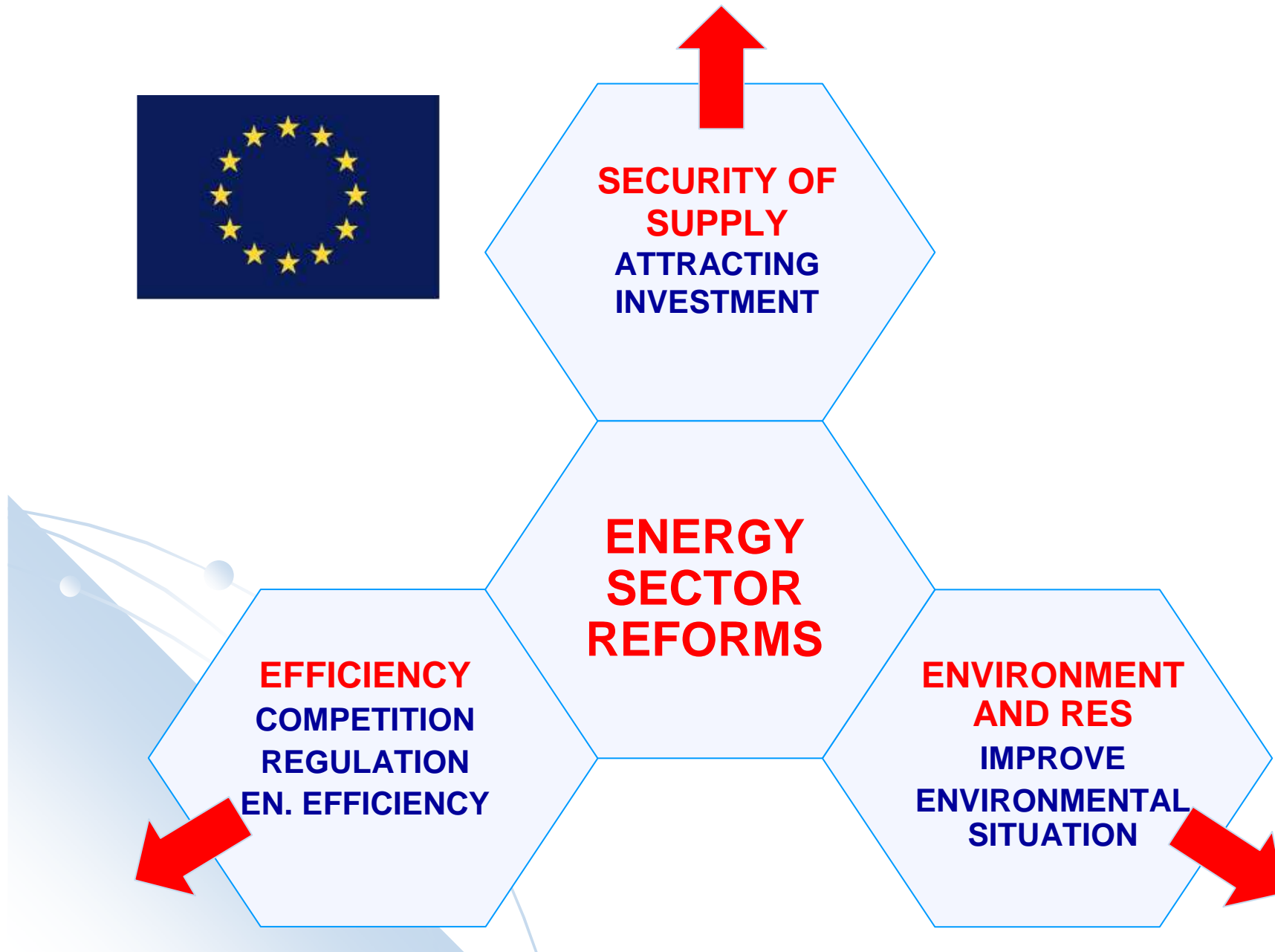
Starting point- year 2000

- Deteriorated infrastructure, accumulated losses and debts
- Unfavorable structure of consumption, high energy intensity
- High environmental impact
- Structural, legislative and institutional underdevelopment compared to ACC, and especially EU countries

Energy Sector Reform - Goals



Strategic goals of the reforms...



Efficiency

- Rehabilitation and modernization
- Restructuring of PEs- corporatization
- Demand side management
- Introducing competition
- Regulation of natural monopolies



Security of supply

- Commercialization
- Increased availability and reliability (short-term)
- RFT for captive customers
- Authorization and tendering procedures for new generation
- T&D planning (mid- and long- term)

Environment & RES

- Legislation in compliance with Acquis Communautaire
- Reducing adverse impact on environment
- Incentives for RES



EU accession and regional integrations

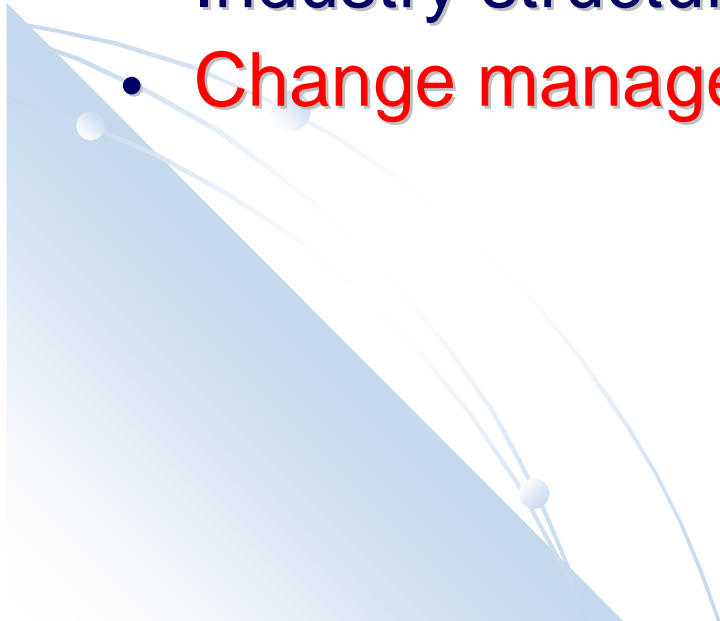
- SAP
- European Partnership
- MoU
- Treaty Establishing the Energy Community

Energy Sector Reform – Instruments to achieve the goals



Instruments to achieve the goals

- Legal framework
- Institutional framework
- Industry structure (restructuring)
- **Change management**



Legal framework

- Energy Law (entered into force 01.08.2004)
- Energy Sector Development Strategy
- Strategy Implementation Program
- Secondary Legislation – **adopted** (Price regulations, Conditions of electricity supply, License Code, Authorization Code...)
- Secondary legislation – **underway** (Market Rules, Grid Codes, incentives for RES...)

Institutional framework

- Establishment of AERS
- Establishment of SEEA
- Clear division of responsibilities btw. Parliament, Government, MoME and AERS

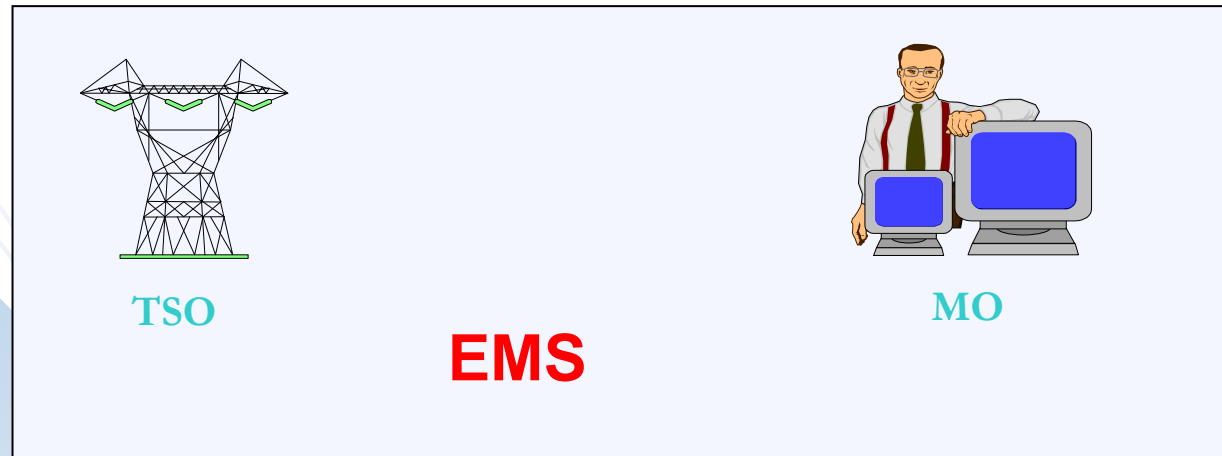
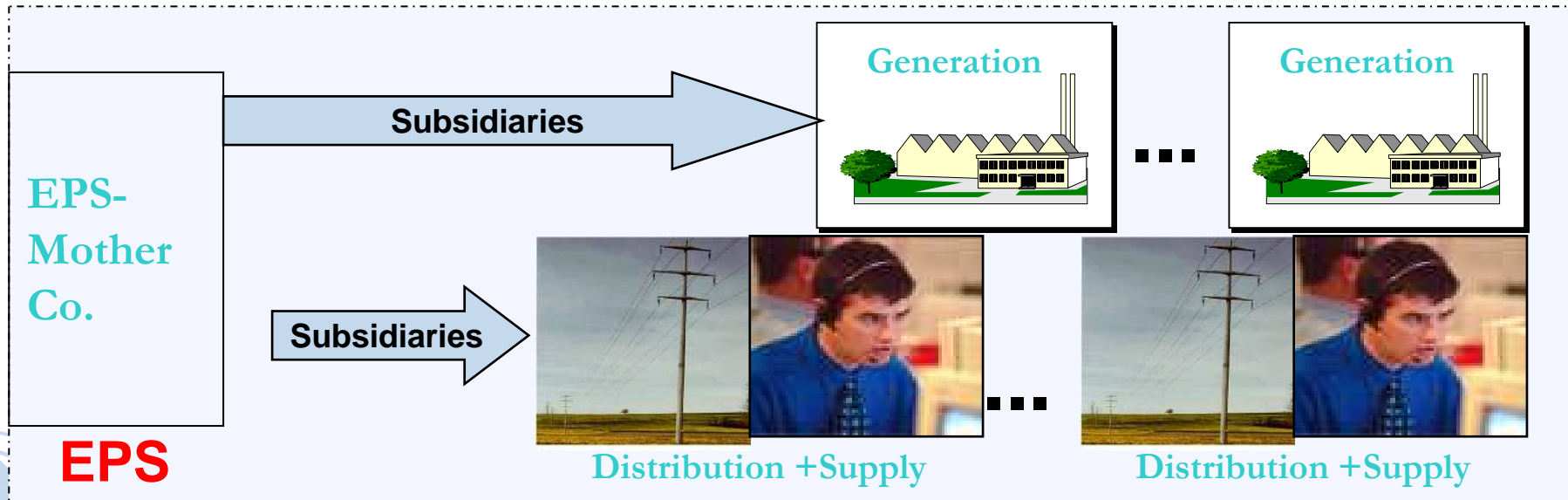
Industry structure

- Spin- off of non-core activities
- Unbundling of the networks
- Incorporation of EPS

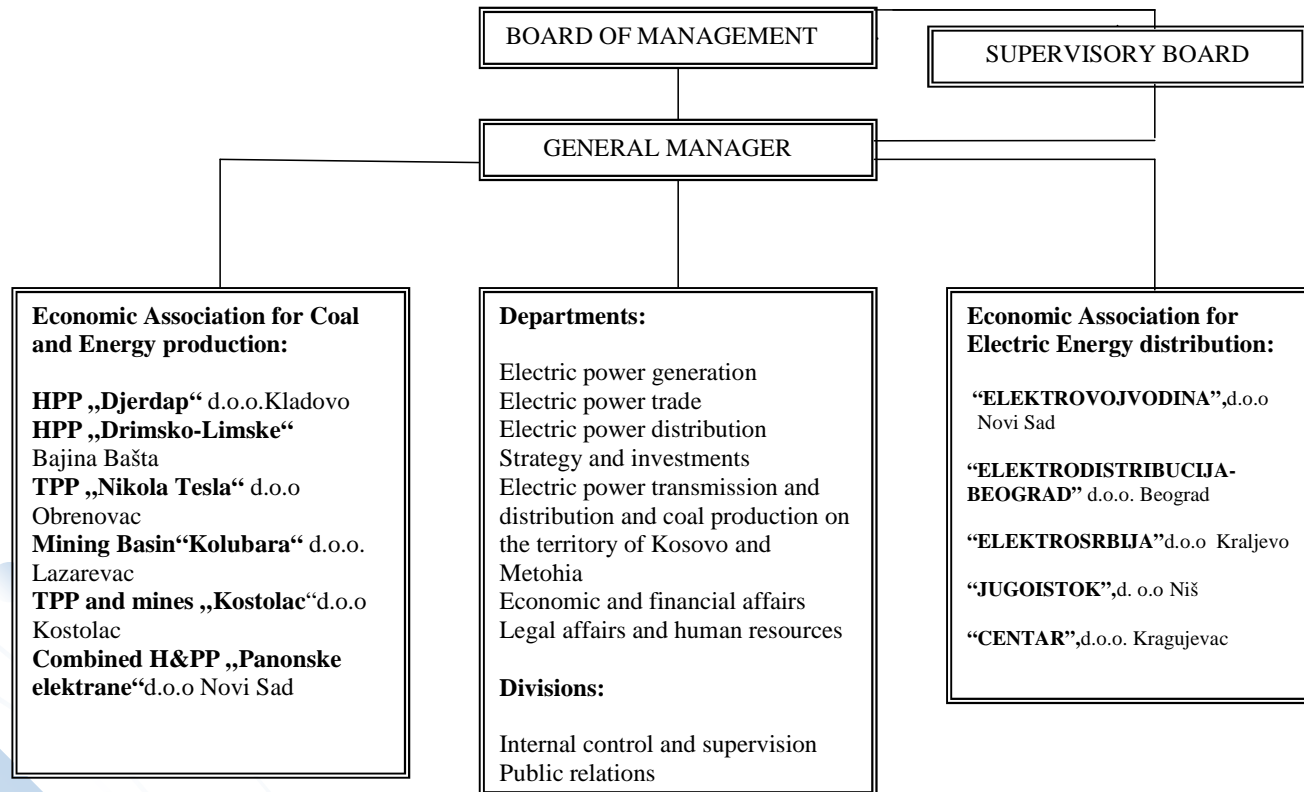


EPS unbundling

$$EPS_{old} = EPS_{new} + EMS$$



EPS corporate structure



1. HPP - Hydro Power Plants
 2. TPP - Thermal Power Plants
- Combined H&PP - Combined Heat& Power Plants

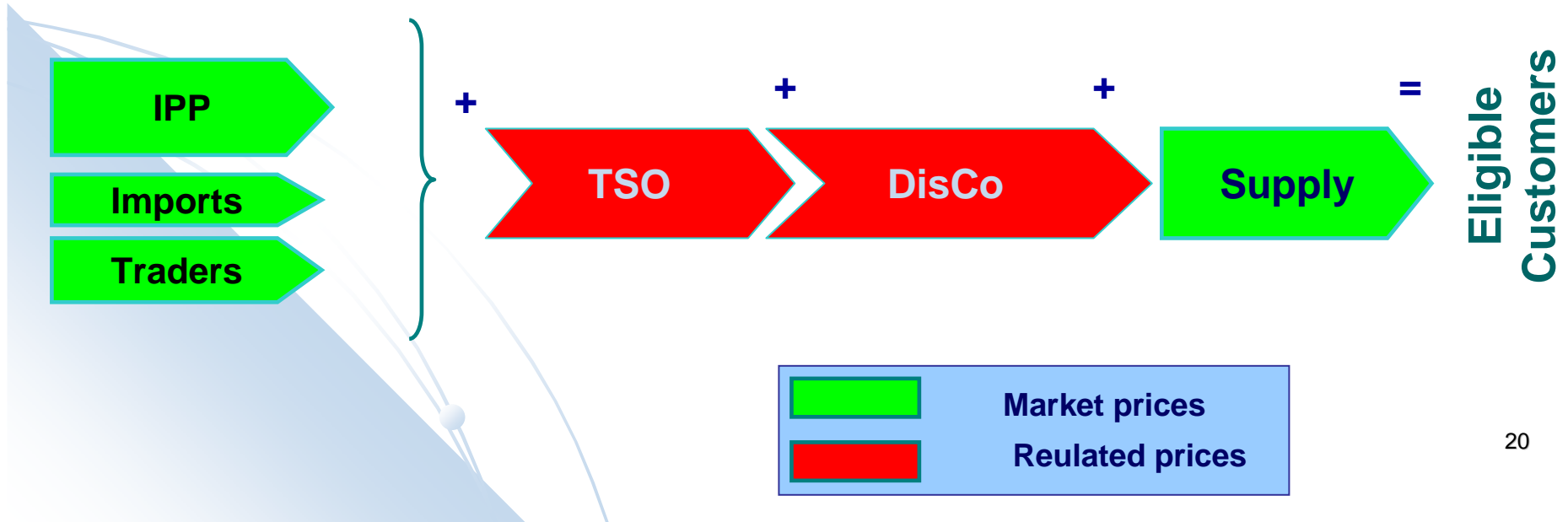
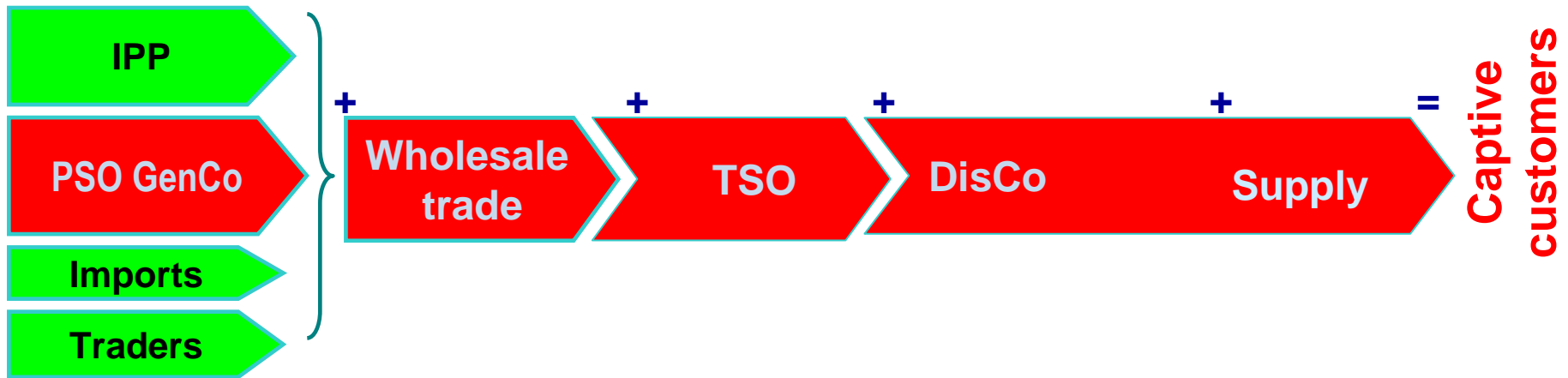
Electricity market in Serbia



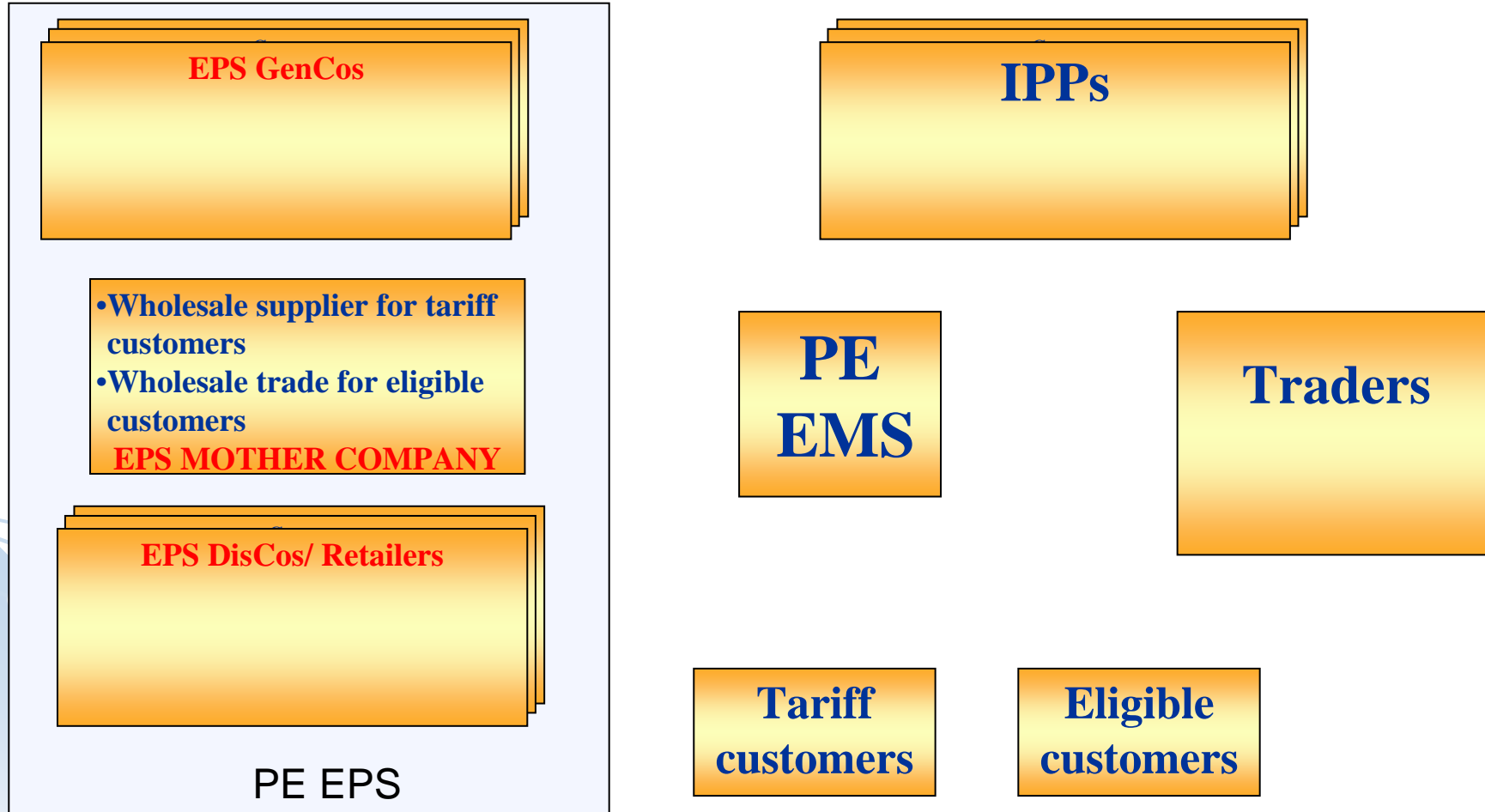
Main features of the market

- Dual market- parallel operation of free market (eligible customers) and regulated market (captive customers >3 GWh/year)
- Market opening:
 - all except households by 2008
 - 100% market opening by 2015
- Market model:
 - Bilateral contracts
 - DAM (“under construction”)
 - Balancing mechanism (“under construction”)

Dual market Concept



Market Players



Privatization and investment



Privatization and investment

- EPS remains a dominant player
- Competition pursued on regional level
- Investment in electricity sector:
 - PPP
 - Divesting generation/ distribution
 - IPP
 - EPS investments



Main challenges



Main challenges

- Part of legislation has not been finished (Energy Law doesn't stipulate deadlines for Grid and Market Codes for electricity and gas);
- No competition in Serbian electricity market:
 - EPS is dominant player;
 - Till now, there was no interest for private investments (low electricity prices)
 - regional market
- No incentives for investing in electricity generation – expected problems in security of supply.

Thank you for your attention!

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