

Aca Marković, PhD, the Head of the Management Board of the Electric Power Industry in Serbia, “Production is the key”

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As long as EPS is able to produce 36 billion kWh, it will be a respectable company. – Supervisory Board will get more authority.

Extreme winter conditions in January and February marked 2012, but despite the freezing days, the system “Electric Power Industry of Serbia” proved to be the best in hard times - says, in an interview for “kWh”, Aca Marković, Head of the Management Board of the PE EPS.

During these Siberian days, when the temperatures in the mines of “Kolubara” and “Kostolac” were even -27°C, there were problems in coal exploitation as well as in coal transport and production in Thermal Power Plants “Nikola Tesla”, and as our interlocutor points out, the Electric Power System in Serbia was not facing the collapse. The greatest merit in overcoming the most difficult problems, belongs to the employees in coal and electricity production, as well as to the distributors who managed to eliminate the defects in the outermost parts.

EPS didn’t let their customers down during these cold days. What was most difficult?

The weather conditions had an impact on the production. We were able to cover the needs of all our customers by additional procurement of the fuel oil and electricity as well as engaging the “Pannonian TPP-HP”. We shouldn’t forget that, during that cold wave, we have had 11 daily records in consumption of the electricity, which was significantly greater than in January 2009, when the disruption occurred in gas supply. Last winter, heating power plants

were working and there was enough gas, and all the previous consumption records were broken.

Does it seem that the end of 2012 was still favorable in terms of energy?

Production capacities in Obrenovac and Kostolac are ready, and that was showed in the second half of December, when the thermal power sector of EPS with “Pannonian TPP-TO” has achieved a daily production of 94.2 million kWh. Thanks to favorable hydrological situation reservoirs have recovered as well. After a long drought there has been a change in the flow of the Drina and Danube and I am confident that we will successfully complete the winter period. Favorable weather conditions, as well as lower energy consumption contribute to that situation.

What will be the production results for 2012?

When it comes to the coal production, MB “Kolubara” will achieve the balance production, while “Kostolac” will be almost two percent over than planned. According to the current indicators, the electricity production will be at the level of about 35.5 billion kWh. Also, electricity supply was regular. Overhaul works have been done very well, too. Overhauls were completed in units B2 in TPPNT B and A5 in TPPNT A and unit B2 in TPP “Kostolac” was synchronized within the grid on 10th December. Power and security of these units is increased. In Heating Power Plant “Bajina Bašta” the revitalization of the third aggregate is completed and modernization of the fourth has started, and revitalization of the A4 aggregate in HPP “Đerdap” continued. Majority the works has been done on maintenance of the grid at the low, medium and high voltage. Substations “Indija” and “Neresnica” are built.

Why, then, the financial results are missing?

The last correction of the electricity price was at 1st April 2011, and EPS has successfully produced and supplied the people and the economy. Is there a price, in Serbia, that hasn't been changed for two years? In that way, EPS has helped to mitigate the effects of the economic crisis that has stricken the world, including Serbia. Despite the fact that EPS in 2012 has collected payment of 98.62 percent, which is higher than the planned 96 per cent, the finances were not positive. In the second half of 2012 we were faced with liquidity endangered and the funds to settle obligations to contractors and suppliers lacked. This situation required reaching for the loans from banks. The main reasons of money deficit are the inherited debts from 2011, as well as high costs for procurement of the needed electricity, heating oil and gas in the winter season 2011/12.

What can be expected in 2013?

The stable production is the key. The goal of all of the electric power companies is the stable production of electricity. As long as EPS is able to produce 36 billion kWh, it will be a respectable company. When you have production, despite low electricity price, you will always have an income which can cover the costs. All new insights and economic theories in recent years have come to the conclusion that the goal of any system is raising the production, since the demand is brought into question as well. We, of course, do not have a

problem with the demand. It is true that we challenge the opinion of the Nobel laureate Paul Krugman, who argues that the demand is the condition for every production.

If we do not start the opening of the new fields, will we be able to respond to that demand?

The solution lies in coal production of 39 million tons of coal in the mines. It must be continued with the activity and large investments in the mines development, because these are the long-term jobs. Only then can we firmly state that we will have enough coal, since we must be prepared for the following years. It is significantly important to continue with the preparation for the construction of the unit of 350MW in TPP "Kostolac" and preparation for the production increase in mine "Drmno" from 9 to 12 million tons per year. It is necessary to continue further negotiations for building HPP "Bistrica", as well as TPP "Kolubara B" and TPPNT B3. In the distribution sector, the implementation of the three important programs follows. These are the installation of the new measuring equipment, installation of the monitoring system and reading the energy consumption, the beginning of the reconstruction of the 54 TS 110kV/h taken by EMS, as well as to finally gather the strength to replace the 100.000 wooden poles with concrete one. It is necessary to reconstruct the low-voltage network in order to improve the quality of the supply in rural areas. For comparison, it is sufficient to mention the data that the kWh produced in the EPS costs about 5 RSD for the consumer, while kWh from diesel-generator reaches 25 RSD. If the State is of the opinion that agriculture should be developed seriously, the investments in the network must follow. In Serbia, in the future, it is needed to build 10-15 TS 110 kV. Only five of TS (substations) 110 kV/h in Belgrade should be built, such as "Autokomanda" and "Beograd 41" in New Belgrade. The construction of substation 110/20kV "Jagodina" and substation 110/35kV "Ljig" follows.

The high voltage electricity market for customers has to be opened by 1st January 2013. Can EPS be a good trader?

Legal provisions will create 10 percent of the market and 24 high voltage electricity customers may opt for EPS as a supplier or to choose someone else. This is a real opportunity for us to see if the model that is made in accordance with Energy Law, can come to life. EPS can gain in this trade, but the companies that enter the market should be ready to accept new business and market relations, not only in terms of price, but also the rules of business operation and quality of supply. There is a chance that EPS realizes better operating results in the income gained from the electricity produced for these customers.

The new Law on public enterprises, which stipulates the abolition of the administrative boards and the existence of the supervisory boards only, has been adopted. How will this affect EPS?

In a typical organization there has to be an executive and management function, and any system that has goal, must have it. Board of Directors, as the managing authority, will be called the Supervisory board, under the new law, and will have completely different concept in terms of authority and structure. The Supervisory Board will gain more authority and will have five members, each appointed by the Government of Serbia. Presidential term of office

for the members of the Supervisory Board is four years. One member will be appointed on behalf of the employees and one member must be independent. The Supervisory Board will get higher role in company functioning, and when we turn into a new joint-stock company, a series of changes of the governing bodies will follow, in accordance with the structure of the shareholders.

The reorganization of EPS follows in 2013. What can we expect?

It is good to centralize the key functions at the level of EPS, such as the planning, control, financial trends, key personnel policies and such, but certain functions should retain responsibilities for the execution of the plans and have the available resources. However, if the centralization is too big, it can suppress the functioning of the system. Because, in the last century, in the modern economy world, the market economy has left the centralization in the case of large systems, which, from the 15 levels of management, came down to five or six. In this way, the middle level of the management system, taking over the part of the work, will have the authority and responsibility, and the top of the company will have planning and control function.

We can be the best

Looking at the upcoming 2013, what would you say to the employees?

EPS has a future. We all should fight and show that what is good for EPS is good for Serbia as well. That is the message that applies to all the most advanced economies of the world.

EPS could be the best since it has the professional and quality staff who can achieve goals that are ahead of the company in 2013. To all the employees and their families in the following year, I wish health, happiness and success in personal and professional life.

Source : kWh/Serbia Energy