

## **Bosnia: Power companies in FBiH are paying expensive fees for hydro power plants**

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In the future, federal, county, city and municipal authorities must stop the trend of adopting new fees and various charges, particularly utility charges for transmission line corridors and other electric power infrastructure, which only increases the price of electricity for final consumers.

On this track the federal government will, in cooperation with the two power companies, re-examine the obligation of paying county fees of particular importance for the Herzegovina-Neretva County, which was introduced by the Law on water in 2013. They will ask for an amendment to the Law on the allocation of a part of the income of the company that was obtained by using hydro accumulation facilities because of the amount of fees that represent a dominant cost in the cost of electricity produced by hydroelectric power plants on the river Neretva. This fee, plus the costs of special fees for the Herzegovina-Neretva County and the water contribution is 12.4 million euro or 34.4 percent of the total cost of hydro power plants on Neretva, or 54.6 percent compared to the operating costs without amortization. "An additional problem make the provisions of this law which are imprecise because they cannot be applied in a clear and unequivocal manner, and as a consequence municipalities initiate the complaint municipalities in area of operation of HPP on Neretva. The law makes the amount of water collected a criterion for determining fees and made it possible to change these fees depending on the change in the price of electricity.

Both of these criteria are vague and imprecise, and provoke controversy" they said from the Government of FBiH. In order to ensure harmonious operation, long-term sustainable development and successful operation of power companies and the harmonization of the Law on Electricity in the Federation, the federal government will review the provisions of the Law on the allocation of a part of the income of the company that was obtained by using hydro accumulation facilities. Also the possibility to resolve issues of the right of use of water resources in the long run through long term concession contracts will be analyzed along with the cost of concession fees which would be easily applicable, with reasonable rates and amounts that do not adversely affect the competitiveness of companies in the domestic and regional markets.

In the next few months, Elektroprivreda HZ HB and Elektroprivreda BiH must approach the construction of capital projects such as TPP Tuzla 7, HPP Vranduk HPP Janjići, WF Podveležje, TPP Kakanj 8, CHE Vrilo, MTPP Banovići photovoltaic power plants. Due to applying EU guidelines, the two power companies should implemented functional separation of activities, legal separation and independence of the distribution activity, accounting separation of the activities regulated and unregulated supply. They will launch activities on amendments to the Law on Public Procurement of BiH when it comes to purchasing electricity on medium-term and long-term level for public electric power utilities that would be in the same position

as all other traders in BiH in order to avoid discrimination.

The Federation government will, as stated in the official decision, "conceive plans for the power companies and coal mines in FBiH, so as to enable the mines not only to increase the production volume, but also to improve efficiency and significantly improve productivity. Bearing in mind the fact that in the structure of electricity generation, thermal power plants in FBiH will continue to be a fundamental part of the production, even in the scenario of intensive construction capacity based on renewable resources and the fact that deregulation of markets requires the growth of competitiveness, a different approach to restructuring of the mines is necessary that involves speeding up the process of the improvement of the operating of mines and mining restructuring with clearly defined stakeholders, objectives, deadlines and responsibilities, transmits [Serbia-energy.eu](http://serbia-energy.eu)