

Corporate Enterprise Power Plants Nikola Tesla TENT in next five years will take its place where belongs in the region: it will be a leader in electricity production in South East Europe, says General Manager Mr.Petar Knezevic

Executive Interview with Director of Power Plants Nikola Tesla, Mr.Petar Knezevic
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Mr.Petar Knezevic, TENT Director

With new energy law and its importance on the market, new influence for producers of electricity will be introduced.

- The time with bigger awareness that electricity should not be social category is approaching, it has to be considered as product that demands investments and knowledge. This big truth we have to promote as much as possible, stated Mr.Knezevic

Serbia-Energy: In September we completed two big overhauls of units TENT B2 and A4, other works are also being in completion. How do you evaluate this year overhaul season?

- Despite the fact that this year overhaul season was smaller when it comes to scope of works, everything was completed with high level of quality. We had major overhauls on units B2 and A4. The B2 overhaul lasted 120 days, the biggest job was the reconstruction of the electrostatic precipitator. Half of needed funds were provided from donations, second half was financed from our own sources. Second major project on this unit was the replacement of part of pipe system, and this represents the start of complete modernization of units B1 and B2. As for A4 unit, the reconstruction of the mills will be completed for 60 days, instead of planned 75 days. On A4 mills we increased the quality and capacity of

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milling, which is the precondition for process optimization of burning and eliminating of NOx. In September we are completing the repairs on turbine of third unit on power plant Kolubara with outpower of 60mw, and we expect that very soon the overhaul on TENT A4 unit will be completed also, as well as the overhaul of the single unit of 125 MW on Morava power plant. On other units we completed standard overhauls. All facilities will be completely prepared for coming winter season.

Serbia-Energy: Even before the end of the fourth quarter it is predictable that this year production plans will go above the plans ? What are the main characteristics of achieved production cycle of TENT so far?

- TENT in September achieved the 9 months plan with 105,49%. Hydrological situation this year, in comparison with last year, was very bad, low inflow of water was small and accumulation lakes don't have too much water. Increased demand and consumption during hot summer was supported and supplied by power plants. Our company on one single day of highest consumption was supplying almost 50% of the demand. This would not be such a big deal because TENT normally produces the half of Serbia electricity, but during those days two units were under overhaul procedures.

Serbia-Energy: During first six months, financial results are satisfying. Some achievements were accomplished in this aspect, but according to the economists this year business financial plans will be influenced by new evaluations of assets, equipment and units value. Can TENT do business positively in 2011?

-This is more a question for economists that for me. Our plans realization for six months was positive thanks to the increased results in production of electricity, rationalization of the costs which we did, stable exchange rate and positive calculations of fees for environmental protection for 2010 and advance payments for 2011. In the first six months we decreased advance payments for stock supplies and some materials. On other side we increased the debts for coal and toward suppliers and subcontractors, but in the same time we increased our revenue claims from EPS on the basis of delivered and invoiced electricity. Financial results by end of this year will depend in great way on the results of the evaluation our assets, facilities and equipment which will be registered as ours until 31.december. Because of this it is very hard to provide projections at this moment before this steps are completed

Serbia-Energy: Mid term strategic development plan of TENT is under preparation, covers the period of 2012 -2017, in your opinion what TENT will look like in next five years ?

- TENT will in the next five years take its place which belongs to our company in the region: it will be a leader of electricity production in South East Europe. But this is not something which can fall from the sky. We invested a lot in modernization and reconstruction of our production facilities, we have to do a lot more in the following period.

I would like to remind that we increased the A6 TENT output power from 308 mw to 348 mw . With increasing the energy efficiency and with bigger output power the coal

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consumption is decreased on this unit for 150.000 tons per year.

Considering all aspects of modernization and overhauls on all units on TENT we can conclude: life cycle of machines is prolonged for additional 100.000 hours, production is increased for 3,2 billion kwh per year. This equals annual production of one new unit of 400 mw. For units modernization we spent 450 mil euros, half of funds came from EU donations and second half was financed from EPS funds. And to conclude with comparison, in order to built new unit of 400 mw we would need at least double of that amount

In the following years, until the conditions for new units power plants are fulfilled on sites Kolubara B and TENT B3, we have to go into same direction. That means that until 2017 we are planning the increase of unit output power on units A3, A4, A5, B1 and B2. We will work on efficiency increase and fulfillment of all ecology standards under our national regulations and EU directives. With increased unit output power we expect to increase the production for additional new 3,5 billion kwh and save more than 500.000 tons of coal per year. With investments of 500 mil euro we will basically gain production of one new unit of 400 mw. In the same time by end of 2017 in ecology and environmental projects we are planning investments of around 600 mil euro, projects for flue gas desulphurization, completion of electrostatic precipitator, waste water management projects as well as for construction of collection, transport and storage of ash on TENT A location. So for completion of this projects we need 1,1 billion euros. I believe that the most part of this funds we will gain from EU donations as we demonstrated that donated money we are spending in best possible way. Also to include favorable credit line we got from Japanese government, 250 mil euros for FGD project on A TENT location. Some part of the necessary funds we will obtain from our own market positioning.

Serbia-Energy: New Energy law was introduced recently, under which the electricity production is no longer the activity of national interest. What does it means in practice for TENT?

-With new Energy law introduction and adoption on 28 July this year, Assembly of Republic of Serbia set the legal framework for energy market liberalization. Electric Power of Serbia (EPS) will soon prepare activity plan for adjustments of doing business but also EPS organization in accordance with new energy act. For us producers of electricity is of great importance is that the Law does not treat production as activity of national overall interest. This opens the possibility for us that in next few years we can influence more on the price of our product. By 2013 big industrial consumers will be able to choose their suppliers on the open market and for households and small buyers the liberalization starts from October 2012. Energy agency will be responsible for price determination but from 2015 complete market liberalization is expected. For us in this moment it is of great importance that we modernized the units and production facilities and that we are ready for market game. What is also important that we are aware of the steps we have to go more. By end of

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February this year we received the license for electricity production from Energy agency and license for production of heating energy, with this steps we accomplished formal conditions for market positioning.

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