

Croatia: Why nobody talks about business model for TPP Plomin C construction, what will Edison, Mitsubishi and Kosep offer to state power utility HEP?

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Public deserves to know what Croatia energy company HEP asks from potential strategic partner and which criterions it intends to use during offers' evaluation for TPP Plomin C construction. No one tries to answer the whole row of questions that are crucially important for economy, HEP's future and energy prices in Croatia. How big is HEP's role and which role strategic partner plays? Who will maintain the new motion? Who will provide coal? Which role does domestic component play?

HEP announced terms and conditions for delivery of obligatory offers in the process of strategic partner election for the potential partners for TPP Plomin C construction. Election of strategic partner is being delayed with at least half year. Initial invitation to potential partners for showing interests is published in the end of July 2012, shortlist was familiar to the factory at the end of September and HEP's request for obligatory offers should be sent until the end of 2012. However, three months were not enough for HEP and their consultants to answer the big number of questions that were arriving from Marubeni, KOSEP and Edison. Supposedly, competition documentation was full of uncertainties so there were a lot of question. And so on, seven months after forming shortlist of interested companies, HEP

asked obligatory offers for TPP Plomin C.

Crucial thing in this story is that HEP didn't try to represent to public which business model it intends to use in construction of the most important plant in national history. This notion is fantastic at this very moment- the answer to the whole row of questions which is crucial for economical future of HEP and electricity price in Croatia. Who will build the new TPP in the first place? Which role do HEP and which strategic partner play? Who will maintain the new motion? Furthermore, who will provide coal for plant because it is almost 2 million tons of coal a year? At which price? Will this be the right of strategic partner like it is the right of RWE in TPP Plomin 2 or there will be common company established with the price like at stock market? If HEP is going to buy out 50% of produced electricity from TPP Plomin C how we will do business with electricity overages and who will have benefit from it? How did the buy of emission units for CO2 resolve? Who will take care of it and how will this reflect on electricity price citizens and economy pay? Is the construction of transmission line mentioned in tender and switchgear and will this be HEP's obligation? And not less important, which status will have Plomin 2 when it is owned by HEP?

Are domestic component crucial in choosing the HEP's strategic partner and if they are what did HEP do to place Croatian companies in this project? Adria-LNG Consortium, who planned a construction of LNG terminal on Krk, has explained to Rijeka businessmen where they can find their chance in order to prepare them for couple of years. It was a friendly move of big investors' consortium that will choose the most competitive ones. HEP is not the one who supposes to guarantee job for domestic firms but it is the one who supposes to find a way for domestic firms to be preferred because all countries do that. Of course, the price needs to be competitive because it can easily happen to Croatia to have a low profit from plant construction which is 800 million EUR worth.

Neither does HEP nor Ministry of Energy say anything about business model for TPP Plomin C construction, not to mention transparent publishing of criterions for this business of the century. Like this is not important. It all happens at the time of big economy crisis and about the most expensive energy project in history. Domestic industry has fortunately organized by itself and it will try within common performance to be competitive to Japanese or Chinese competition and this won't be easy. Public deserves to know what HEP asks from potential strategic partner and which criterions it will use in offer evaluation. Investment that will have significant influence on energy prices in Croatia mustn't be decided by outside circles. HEP's contract made with RWE in 1996 is very bad for HEP which is obligated to buy electricity at price higher than production one. Because of that, State auditing office has recommended HEP in 2010 to break up this bad partnership. Former HEP's engagement for TPP Plomin C cannot be observed as successful or opened toward public which it still convinces that this is not the new plant but replacement of the old block. State and HEP's lack of transparency for business model is the accumulation of the former bad practice, which can be eventually changed by new and more professional administration.

Source; Serbia Energy See desk/Vecernji