

## Did Serbia get a good deal by purchasing electricity directly from the Republika Srpska?

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Did EPS get a good deal by purchasing electricity directly from the RS, will be known only at the end of 2013 when we see the final bill

For the delivery of 572,840 megawatt-hours of electricity from the Republic Srpska, Electric Power Industry of Serbia has to pay 30.7 million Euros. That means that one megawatt-hour of electricity costs 53.61 euro cents, or 5.3 euro cents per kilowatt-hour.

- Electric Power Industry of Serbia took part in tenders EPIRS for the first time and with this acquisition provided 70 percent of the necessary import in 2013. year - said Aleksandar Obradovic, acting Director General of EPS, adding that he hopes that this will be a good beginning of cooperation between the two power industries. Branislav Milekić, CEO of Energy company of Republika Srpska(EPRS), explained that the holding company issued an international public tender for the sale of surplus electricity in 2013, and that the EPS achieved the best price. Seven bidders participated in the tender.

When asked if buying directly from the manufacturer EPS purchased electricity cheaper, than purchasing from an intermediary, Slobodan Ruzic, Deputy Energy Minister during Kori Udovicki time, stated that at this point this price is lower than the market price.

- Electric Power Industry of Serbia did better with this purchase cheaper, than buying through a broker. Currently this is a slightly lower price than the price of megawatt-hour in the market, but if megawatt-hour price falls, then the import will not be profitable - Ruzic said.

- We should see what the contract provides, how much electricity was purchased for the first quarter of next year, when electricity is most desired goods and when it is consumed the most due to the winter. Will there really be enough electricity to cover 70 percent of total

demand, it remains to be seen - explains Ruzic.

Experts agree that this acquisition of the Electric Power Industry is currently somewhat better, but they certainly could not claim that 70 percent of total demand was purchased, because no one knows what will be the final energy consumption in 2013. What if the weather is hot or extremely cold?

The problem is that EPS bought non-guaranteed electricity from EPRS which means that RS does not have to deliver all amounts of electricity if they do not have enough power for themselves.

And there are risks. Thermal power plants Ugljevik and Gacko (over 40 years old) often "fall out" of the system. In addition, a significant portion of energy in RS is from hydro power plants, whose production is by nature subject to hydrological impacts - drought and rainfall.

This means, that as our source explains, in order to calculate the real cost of energy purchased from EPRS, the cost must contain the cost of guaranteeing these quantities, that is the price of - to getting the missing energy.

What will the price of energy be at that moment no one can tell because there are a lot of factors that affect it - how cold the winter is, hydrology, reliable operation of power plants, a global oil and gas prices, the availability of transmission capacity ... Guaranteed price generally increases the base price by 15 percent , said the source.

"Electric Power Industry of Serbia" bought six packages from the "Electric Power Industry of the Republic Srpska". Five for the first quarter and one for the entire 2013. Electric Power Industry of Serbia, electricity in a band (constant mode from 0 to 24 hours), from which the largest portion, more than half, will be shipped throughout the following year.

When asked what the problem was our source said - that EPS always has surpluses at night (that is why our electricity is four times cheaper then). More importantly, EPS has a surplus balance in the spring, when the snow melts during the summer, and sometimes in the fourth quarter, when the hydrology is favorable.

This raises the question why is EPS buying something they should not, that is why are they buying something that they will have to sell back in the market in large part, the source said.

It is important that about 140 megawatt-hours of electricity was bought for the first quarter, which is only one-third of the total demand for this time of year. At the same time this year, in January, as much as 600 megawatt-hours was spent. Based on that, these 140 megawatt-hours is not going to be enough, and EPS will have to buy additional amounts of electricity, the only question at what price.

At the same time this contract provides a much higher electricity import from RS for second, third and fourth quarter of 2013 when consumption is smaller in Serbia, so it is realistic to expect that EPS will have to sell these surpluses in the market. Again the question is at what price.

## **Increases the cost of cross-border capacity**

Yesterday the price of electricity in Leipzig Stock Exchange in Germany was 43.11 Euros for a megawatt-hour, in France - 45.1, while in Switzerland - 53.56. A little more expensive than here, but we are talking about daily deliveries, and not those for three or six months. At this price, of course, we must add the cost of cross-border capacity, which is about 7.4 Euros per megawatt-hour, therefore, the price right now is around 55 Euros.

*Source Serbia Energy Magazine*