

# Electricity market liberalization and projected power generation plan 2013, hydropower and thermal power plants plans

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Liberalization of the internal market required more careful planning of production from hydropower. – With planned production of 9.5 billion tonnes of lignite for electricity generation in 2013, open-cast mine “Drmno” will outperform all its previous records. – Electric power generation for 2013 projected by Energy Balance amounts to 35.2 billion kWh.

Two consecutive dry years are not the only reason why EPS has decided to review electricity production planning schemes of its hydropower plants, yet these conditions have certainly been of significant importance. Different approach to planning came as a result of internal market liberalization and need for reducing risks typical of unpredictable electricity production from hydropower. In interview with Miladin Basaric, assistant director at Electricity Trade Department of EPS, we tried to cover the topics such as shifts in production and consumption planning, objectives of Energy Balance for 2013, relations between this year’s targets and performances achieved in 2012.

## **To what extent is this year’s projected production from hydropower lower than the last year’s targets?**

The total generation from hydropower in 2013 is projected to be about 9 billion kWh, which is in comparison to the last year’s results by 4% lower for run-off river HPPs, and by about 25% lower for hydroelectric dams and pumped-storage HPPs. This level of production is estimated for 70% probability of unregulated inflow at flow profile of HPP. The degree of 70% probability had been applied by EPS in planning production from hydropower until 2004, but then the officials in charge decided to shift to 50%, explaining that the previous method of

planning in EPS had envisaged large electricity imports and unnecessarily greater production reserves. This year has begun with satisfactory inflows, and if this situation persists in the coming period and hydrological conditions turn out to be better than planned, we will be able to sell surplus electricity on the market, thereby providing additional income to EPS. To conclude, according to the Energy Balance for 2013, the share of hydropower energy production is no longer 30%, as it used to be in almost entire past decade, but about 25%. In this way we have reduced operational risks and increased likelihood of the realization of planned production.

**Last year the total production from available capacities of EPS was by 2.8% lower than projected in the Energy Balance, and by 3.4% lower than production achieved in 2011. Do the lower expectations in 2013 also pertain to the production from the coal-fired TPPs?**

Last year's overall production results were largely affected by drought, as well as by the fact that three large thermal units, i.e. two in TENT and one in "Kostolac", were inactive for several months due to revitalization and capital overhaul. However, despite these conditions, the production amounted to 40 billion kWh, which was less than the projected production and the results in 2011. In contrast to the reduced projections related to hydropower plants, this year coal-fired TPPs are expected to generate by 7% more electric power than the last year. Given the availability and technological characteristics of units in our TPPs as well as the production of coal, their production is scheduled to reach around 26 billion kWh.

**Don't you think that the difficulties with excavation of coal in "Kolubara" will largely affect production of these TPPs?**

In order to achieve the planned level of electric power production, we should provide a total of around 38.4 million tonnes of coal. It should come from both mining basins as well as from underground mines. As for the process of planning production of electric power and coal, the Electricity Production Department in cooperation with the Electricity Trade Department determined production targets on the basis of a current situation in pits. "Kolubara" is expected to produce about 28.7 million tonnes of coal for electricity generation, while "Drmno", the only active open pit mine within "Kostolac", is to produce about 9.5 million tonnes. In fact, this year "Drmno" would have to deliver 1.8 million tonnes of coal more than last year to TPPs "Kostolac". This level of production is necessary because the overhauls of both units of TPP "Kostolac B" are planned to be performed in only 45 day.

**Does the Energy Balance also include purchases based on annual and long-term contracts?**

"Electric Power Industry of Serbia" has an Agreement on long-term business and technical cooperation with EPI of Montenegro, from which it will take over 927 million kWh in 2013. A similar long-term agreement was signed with EPI of the Republic of Srpska, concerning a supply of 47 million kWh annually to the customers in RS via distribution system of PE EPS. Moreover, at the end of the last year PE EPS managed to purchase 573 million kWh in a tender of the Electric Power Industry of the Republic of Srpska and the purchase is defined by the contract specifying the volume and dynamic of delivery, but it was not included as a

separate item in the Energy Balance of PE EPS, as it was concluded in the period after the adoption of this year's Energy Balance by the Board of Directors of EPS. However, this deal has entered the Energy Balance of the Republic of Serbia for 2013. In addition to these purchases, the plan is to take over 66 million kWh from the privileged producers. Also, a purchase of 415 million kWh in the regional market is projected for the purpose of balancing and optimization of EPS energy portfolio in this year.

**Were the plans for production and purchase of electric power primarily made based on EPS' obligation to meet the needs of public supply or on insights into possible trends in internal and regional markets?**

Our plan is to sell about 2.9 billion kWh in a free market (domestic and regional). A prospective buyer in the internal market is PE "Elektromreza Srbije", which will have to cover losses in the transmission system, estimated at about 1.1 billion kWh. Eligible customers, i.e. those who take over electric power from the transmission system but as from January 1<sup>st</sup> they are not entitled to public supply, are expected to buy about 2.4 billion kWh. Moreover, for the purpose of balancing and optimization of EPS' energy portfolio during the year, we intend to place 357 million kWh on the regional market. All of the above-mentioned plans have come out of the analyses of production capabilities of EPS, as well as market needs and opportunities.

**What about the public supply?**

The category once known as "tariff customers" now includes all customers who are, according to the new Energy Law, eligible for public supply after January 1<sup>st</sup>. These customers belong to medium and low voltage consumption category. For their supply it has to be provided 25.7 billion kWh this year. In addition to electric power for consumption, EPS should provide about 4.5 billion kWh to cover distribution losses. When taking into account the consumption within the EPS system required for the operation of pumping plants totaling 1.6 billion kWh, then it becomes possible to observe that in preparing this year's Energy Balance EPS was trying to conceive production plans of all available capacities as well as to make sales and purchases projections in order to meet demand for electricity and fulfill its contract obligations, in the same time aiming to achieve some profit.

**When adding up projected amounts for large customers and for those at lower voltage levels, we get a total of about 28 billion kWh for the consumption of the category previously called "tariff customers". Does this level approximate to their consumption in 2012?**

Yes, to some extent. However, we should bear in mind that last year's total consumption (including distribution system losses) was by 2.9% lower than projected by the Energy Balance, and by 2.4% lower than the consumption in 2011. Given the many factors of influence, we cannot know for sure whether the decline of industrial activities, which is the key reason for the fall in electricity consumption in Serbia, would continue this year, but if so, EPS would be able to sell more electricity in the regional markets than it was initially planned.

## **Four contracts**

Public Enterprise “Electric Power Industry of Serbia” has thus far signed four agreements on the total supply in 2013. The first contracts were signed with the PUE “Beogradske elektrane” and mine “Kovin”, and then with “NIS Refinery Pancevo” on December 31 and “Zelezara Smederevo” on January 16. At the very end of the last year, the line Ministry recommended that the deadline determined by the Law should be extended for 15 days, thereby enabling the large customers do choose their suppliers, but most of them are still pondering.

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