

EPS to launch large overhaul tender invitations end of 2013, says Dragan Popovic, Deputy Executive Director of Energy Generation Department in EPS

Categories : [Uncategorized](#)

Date : June 10, 2013

Universal form simplifies procedures

It is very important that the same activities are classified in the same manner. - Public procurement plan for this year is to be complemented by public procurement activities that are to be carried out in 2014 and later, but have to be launched by the end of this year.

This year, the scope of overhauls of production facilities has been significantly reduced in comparison to the previous periods. The main reason for that is a difficult financial situation at the beginning of the year. A lack of funds in EPS's budget, confusion over the electricity price which should be the basis for projections, as well as the pressures of the liquidity problem that was waiting to be solved, caused the delay in the start of necessary operations and led to the decision to exclude capital overhauls from this year's activities. They are only standard overhauls, i.e. the activities that can be completed in 30 days. But even these small-scale overhauls are carried out with a great deal of difficulty. The production companies have already asked for re-scheduling of some overhauls, as they cannot complete public procurement procedures in accordance with legal requirements within a necessary time-frame. The new Law on Public Procurement and its negative implications for the efficient functioning of regular operations of thermal power plants was one of the topics we addressed in the interview with Dragan Popovic, Deputy Executive Director at the Energy Generation Department of EPS, who is also a project leader of the Project of the development of a procurement plan for 2014 and in charge of the revision of the Plan for 2013. The Project is dealing with the public procurement activities in PE EPS and its subsidiary companies for electricity generation.

Do this year's overhauls depend on the realization of this Project?

No, they don't. Overhauls that are to be done this year are included in the Annual Business Plan for 2013 and their implementation is carried out according to the adopted procurement plan. The start of standard overhauls of production plants is rescheduled compared to a usual term, so that the season of overhauls in thermal power plants has begun as late as in mid-April, which has not happened since 2000. Namely, the planned one-month overhauls have been implemented in full scale, which represents the minimum requirements for ensuring an adequate functioning of the plants and quality production during the next winter. The condition for their successful completion is the implementation of the Procurement plan for this year within projected time-frame and to full extent.

Is rescheduling of overhauls somehow related to the new Law on Public Procurement and the changes in this year's public procurement plan?

Procurement activities initiated up to April 1, 2013 have been conducted in compliance with the old Law on Public Procurement. Accordingly, given that the majority of procurements were actually initiated before that date, the entry into force of the new law does not largely affect the overhauls in the current year. However, the new law has prescribed a greater level of responsibility for complying with public procurement procedures. It is one of the reasons why the procurement plan must be formulated more precisely, and strictly respected during the implementation process. Also, as a result of tight policy of responsibility, the new law also insists on public call procedures for the largest part of purchases and limits the room for negotiation process.

Does the importance of a unified definition of the content and form stem from the fact that the companies give different names to the same activities and, indeed, treat them differently in their bookkeeping records?

The difference is more than obvious, and therefore it is very important that the same activities are named in the same manner so that they can be easily identified and tracked in any document, any plan or performance report. Only if we managed to organize the responsibilities and tasks in a systematic way, we would be able to adequately keep track of business transactions and collect insightful information at the level of the entire EPS group.

You're talking about the overall business operations, not just about integrated public procurement?

In the end, the overall business operations are concerned, although at this point the focus is on public procurement. And this is not only a question of actuality. According to the decision of the CEO on task assignments for the Expert group, in determining the procurement plan, it is of utmost importance that the content and form of this plan fully correspond with the procedures applied in the planning of maintenance activities and subsequent investments, commercial practices which follow their implementation, as well as with the requirements for quality monitoring of financial, commercial and technical aspects of the implementation. I would say that public procurement plan is the alpha and omega of all other key plans, or vice versa. Basically, all these plans need to be interconnected in such a manner that all aspects of a particular activity can be accurately followed up leaving through individual plans, summarized in the Annual Business Plan of EPS.

You mentioned that the Project of the development of a procurement plan for 2014 also envisages the revision of the plan for this year. What is a purpose of that revision if overhauls are already underway?

The revision doesn't apply to procurements for this season of overhauls, but the ones that are planned in the current year, to be realized in the next season. Specifically, the procurement plan for this should contain all public procurements that have to begin this year so that they could be realized in the coming years. These are called "early procurements". They are planned in the situation when there is a possibility of prolonged delivery time or complex and lengthy process of contract negotiation. Such purchases are planned on the basis of the Projections of PE EPS' performance for the period 2013-2017. It is assumed that

these “additional” procurement activities have to be harmonized with the maintenance and investment plans, the financial plan and the overall business plan. At the moment we are trying to clearly define the manner in which these procurement activities will be recorded in the financial plan for this year, as well as in the next year’s plan. However, it is evident that the expenditure related to each procurement process must be included in the financial plan of the company.

At a recent meeting held at the Electricity Generation Department, it was pointed to the difficulty in consolidating the plans of individual subsidiary companies at the corporate level, i.e. PE EPS as a whole, because the companies differently classify and record certain activities. Is it possible to overcome such differences through process of revision of the procurement plan for this year?

We will have to agree on the form of a plan and resolve some ambiguities as soon as possible. Given that some procurement activities for the next year are encompassed by this year’s plan, it is clear that they must be a part of the Revision of business plan for 2013. Therefore, the dynamics of our work on determining a universally applicable content and form of the public procurement plan have to match the dynamics of the preparation of revisions of all other business positions.

Is there a risk that the process of searching for the right form could jeopardize timely procurement planning for the next year, which then could reflect on electricity production?

It would be the worst possible scenario, but I believe that it will be prevented even though this process now maybe seems to be slow and ineffective. We are trying to eliminate all eventual obstacles to its efficient completion, as well as to successfully prepare the public procurement plan for the coming year. We have already managed to solve, on the fly, some problems encountered in the implementation of the new Law on Public Procurement that, dare I say it, are not negligible at all judging from a position of production companies, although the new law, in essence, is not much different from the previous one. In contrast to a common practice in the previous years, the consistency in implementation of the new law is now being monitored more closely, which requires a higher level of the responsibility of all parties involved in public procurement activities, especially those of high value, which are characteristic of thermal power plants. That kind of responsibility is the very reason why we want to clearly define all aspects and ensure that everything is in accordance with legal procedures.

Additional postponements of overhauls

- Following up the preparatory works for overhauls shortly before their scheduled start, production companies detected significant delays in public procurement procedures. This was the main reason for the further postponements of overhauls. It is obvious that the overhauling activities will be very intense during this summer. So far, such an intensive work on the equipment hasn’t had negative effects on the achieved production due to good hydrological conditions and reduced electric power consumption. However, we have to be cautious about a further delay, because the changes both in hydrology and consumption are

expected. Therefore, each new case of overhaul rescheduling could reduce the production and sale of electricity in relation to the projected levels - said Popovic.

Expert Team in charge of plans

- Given the complexity of the planning of public procurement procedures, especially those that start in the year prior to the realization, Aleksandar Obradovic, acting CEO of PE EPS, formed last month an Expert team, led by the Committee, headed by CEO himself, and whose members are the executives of the Public Procurement function, the directors of Electricity Generation and Strategy and Investments departments at PE EPS, as well as the directors of subsidiary companies. The task of the Expert team is to prepare a draft plan of early procurement activities, proposal for the content and form of a procurement plan for 2014 and draft of the procurement plan for 2014. That explains the title of the Project which I lead. The managers of this project are also members of the Expert team of PE EPS. Working groups are formed within each subsidiary company with which we will closely collaborate and coordinate. I would like to emphasize that a universal way of defining the content and form of public procurement is of paramount importance for the accomplishment of the above-mentioned tasks of the Expert team - said Popovic.

Source;EPS