

Exclusive report: The case of Serbian power utility company EPS and its financial challenges, the company cannot be cured with aspirin

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Brutal combinations of interest groups that were carried out in the government top for years are the main reason for current desperate condition of EPS.

There is almost no society segment where problems from previous years are not piled. These problems seriously burden country and Serbian industry. Public confronts cruel reality every day, this reality reminds us on 2000 and disastrous situation in the country cognition. Economy experts state that problems have been multiplied from 2000 until nowadays, and the state has definitely been brought to the edge.

EPS's condition is the best indicator of bad administration consequences.

The results of completely rude relation of governing garnitures toward state-owned company in the last 13 years are: tough financial situation, devastated system, negligence, irrational consumption, huge debts, but also high purchases, the trend of loss increase in distribution system at the same time.

Alarming news about bankruptcy of the biggest industrial system in Serbia- "Elektroprivreda Srbije" that contains electricity production and distribution were popular in media in the last few weeks.

"Will this government have strength to help EPS to stop being the first aid to everyone?" Minister of Energy Zorana Mihajlovic has asked recently.

Collective indebtedness

Financial documents of EPS business were implacable during the last years. According to official files investigated by Akter magazine, EPS had had official loss of 2,5 to 3 billion in 2007 and 2008 and it acquired positive result in 2010. Bigger problems started officially in 2011 when EPS did business with 4,8 billion dinars' loss.

All documents indicate that the company was in the zone of seriously problematic business. EPS was paying interests on 16,5% level on the base of different loans and credit indebtedness during 2010 and 2011, and 24% in 2010. Almost all indicators are more than humiliating.

EPS will have to share its difficult situation with its employees in the following period.

“State will enable EPS to do better business, but it doesn't mean that it will be lulled and that it won't have responsibilities, Minister of Resources messaged.

Zorana Markovic said that EPS must have lower debts and use internal reserves more.

According to available documents, EPS has 120 billion dinars of purchase for delivered electricity and a half represent debts of the state and citizens. Debt older than 60 days makes the total level of 80 billion dinars purchase. Considering that EPS has huge debts, some of them were discussed to be transferred to public debt. Reprogramming of the credit EPS must pay soon was also reconsidered on the same meeting.

According to business plan from 2013, EPS misses 50 billion dinars (about 450 million EUR) and administration asked for approval to owe 300 million EUR still in order to pay liabilities and provide ongoing financial liquidity of the company. Indebtedness hasn't been approved yet and EPS reconsiders again how big credit is required.

This request from EPS was actually the subject of conflict between EPS administration and Managing Board's President.

Politics or irresponsibility

EPS asked Managing Board to approve credit indebtedness because problems with payment can occur by March. MB Session was cancelled several times, despite economical questions were waiting to be reconsidered.

Interests of the state and citizens with reference to these procedures were seriously endangered at one point, especially because of Aca Markovic, Director of EPS behavior. MB Session was finally held on 22 February.

According to “Akter” information, credit indebtedness wouldn't be the first decision MB would have to make. Not even Government's conclusion from 16 November about adjustment of business to the Energy Law couldn't be carried away without Managing Board.

MB is in charge of dependent companies for supply and distribution system operators' establishment which is also predicted with the Energy Law.

Also President of MB stated credit amount as an argument for cancelling the last MB Session, the fact is that session was not held for several months.

Informed persons claim that problem occurred because of the fact the MB leading people didn't want to carry out the Energy Law that prescribes one public electricity supplier election, they insisted on 5 suppliers what would influence additional business problems, multiplied number of directors and other positions, drastically increased business expenses instead of business centralization.

The Energy Law is completely clear when it comes to the public supplier election. If someone tries to make political decision of it, then he supposes to take responsibilities for it. Laws must be respected. Citizens must do that, but especially those who carry it out.

We have to mention that idea of social endangered buyers can't be realized without public supplier election.

EPS must transfer from public to stockholder association- Serbian Government said explicitly on 16 November. They also said that EPS must respect Energy Law by establishing one supplier and one distribution system operator.

All this was waiting on the session held on 22 February.

After important decisions had been made on Managing Board's session, changes will be launched faster now. The question of EPS's indebtedness will be reconsidered when EPS has clear plan and has spent all internal financing possibilities.

The SNS-SPS political conflict was said to be a reason for postponing the session.

Electricity price

The conflict exists but on the relation of responsible and irresponsible individuals, interest groups, as well as in any other areas.

The decision of establishing Industrial Society "EPS Snadbevanje" and decision for payment of old debts toward EPS in rates with conditional interest write-off for 2012 were made on this notorious session.

Besides these decisions, new electricity prices should be expected also. They won't be changed until April when social cards shall be used.

Social card will last a year. It can be taken away if consumption is bigger than determined limit which is 120 KWH per household member, and 30 cubic meters of gas. EPS will finance expenses of free KWH in the beginning, and after that national budget will pay for it.

Energy Agency shall make new tariff system before price increase because the payment scale should be formed.

The plan is that those who use electricity for heating pay much higher price than those who are energetically endangered and those who are energy efficient.

Alternative within use of other energy and energy efficiency must exist at the same time. Therefore Ministry sent Energy Law to Serbian Parliament. Electricity price policy is the most serious problem of energy policy and it can be solved partly.

Serbian Government adopted an order for energy protected consumer that will be enforced since April.

It is not a secret that different interest groups leaded energy sector in the last few years so it is about time to put some things into order.

Considering that liberalization of 10% of market was enforced this year, EPS managed to keep 95% of the market.

4 billion EUR was planned to be invested only for environmental protection and sustaining ongoing production in the next 5 years.

EPS is not the “white bear” and monopolist in Serbia. It should be reorganized very soon and become more efficient in order to manage to fight with competitors that will be stronger each day.

Interests of Serbian Government and citizens are related to EPS’s reorganization and improvement.

Strong political will must exist as a precondition for EPS to transform and this was the main problem all previous years when it comes to EPS. Political will and interest groups destroyed EPS.

Source Akter/Agencies