

During 2005, significant changes occurred in the electric power sector in Macedonia. Since 1st January 2005, there have been two new, mutually independent electric power companies created by the demerger of the former vertically integrated company ESM (Electric Power Industry of Macedonia).

One of them performs the activities of electricity generation, distribution and supply and it has retained the old name ESM. The other company has been registered under the name of MEPSO (Macedonian Electricity Transmission System Operator) and it performs the activity of electricity transmission, which includes the transmission network, system operator and market operator. The preparation for separating the mentioned activities lasted for a little more than a year. The principle of separation of funds, equipment, capital and employees according to individual activities was defined by the plan from December 2003. According to the Law on Restructuring, the newly formed ESM (generation and distribution) could be privatized, which is precisely what happened with the distribution, whereas MEPSO (transmission activity) was not envisaged for privatization.

ELEM (Macedonian power plants) is the biggest electricity producer in the country and it is a state-owned joint-stock company. ELEM satisfies around 95 percent of the overall electricity needs in Macedonia. ELEM was also created by the demerger of the Macedonian electric power industry, as a part exclusively engaged in generation.

Macedonia possesses production facilities with the total capacity of 1.570 MW, around 70% of which are thermal power plants. Hydro-power plants represent 30% of the total installed capacity, but they achieve only around 15% of the total electricity generation. The reason for this is the poor condition of water courses. In addition to the thermal power plant "Bitolj", representing almost one half of the total capacities (around 750 MW), two more smaller thermal power plants are also active, "Oslomej" and "Negotino". Among the hydro-power plants, "Vrutok" is the biggest, but several smaller are also active. Macedonia has inherited the entire infrastructure of the SFRY energy system, which was developed during the 1980s. The current state is characterized by oldness and technological obsolescence, so that investments in modernization and revitalization of the existing capacities, but also in the erection of new ones, are necessary. For this reason, it is of primary importance that investments be attracted into energy sector. Ten small hydro-power plants are also owned by the electricity distribution company.

One of the most important privatizations in Macedonia was the privatization of the national electricity distribution company ESM by the Austrian company EVN at a price of 224 million euros and the investment commitment of 96 million euros. In 2003, the Restructuring Strategy was adopted, which included the separation of the transmission system from the framework of ESM. In 2005, the Macedonian Government decided to separate electricity generation and distribution and to form two state-owned companies. It was decided that distribution should be privatized first and this process was started in the second half of

2005. The tender was announced in December, and in May 2006, the Austrian company EVN bought the Macedonian distribution company for 224.5 million euros. Macedonia, as well as other countries within the region, is expecting a full opening of electricity market since 1st January.