



Djukanovic's Government has two options for at least one solution of KAP electricity delivery dispute: to make this company finally pay for electricity or to launch partial debts' set-off in the triangle KAP-EPCG-Government. If the current chaos continues, government will be certain to endanger EPCG's work and make Italians quit work in Montenegro. Everything was kept from public for a very long time, and then the problem accumulated i.e. the conflict between Montenegrin Electrical Power Utility and Montenegrin Transmission System relation about the question: who will pay a price of KAP's electricity consumption since New Year?

According to the Energy Law and the following decision of Regulatory Energy Agency, big consumers like KAP and Zeljezara suppose to be supplied at free market. In other words: EPCG was not in charge of delivering electricity to KAP or to sign the contract because factory from Podgorica introduced unwritten but very respected rule- not to pay used electricity. KAP exceeded this debt for 45 million in the last year!

However, KAP still gets electricity from high-voltaic net of Montenegrin Electricity Transmission System which doesn't want to reduce electricity deliveries or to cut unwarranted producer, who doesn't have supply contract, off from unknown reasons. Obviously: somebody from the government's top suggested CGES to continuously deliver electricity to KAP in order not to endanger balance of electricity system".

This kind of situation development directly damages EPCG who doesn't want to give electricity on loan anymore. Therefore, there is no contract for EPCG-KAP electricity supply. Hot potatoes for Regulatory Agency: Hot potatoes of this hard situation were transferred to Regulatory Agency who is in charge of arbitrating in conflicts between energy companies. Energy Agency postponed launching the subtraction of permissions until 21 March to domestic energy companies last week on the request of Montenegrin Electricity Transmission System.

Regulatory Energy Agency gave 15 days for resolving conflicts between EPCG and CGES about the contract for KAP electricity supply. Regulatory Agency cannot make KAP pay for electricity but they have right to take license away from energy subjects in cases of not respecting the agreement. Government should make the next move.

The biggest blame to the Government: Montenegrin Government is most guilty for current situation because it isn't capable of solving KAP's question a year from Parliament conclusions adoption.

The biggest sacrifice of this technical-legal complication is EPCG who ordinarily delivers electricity in the system and KAP owes 45 million EUR, Montenegrobonus 9 million (for the period since the beginning of October until the end of December) and energy delivered to CGES during January and February is around 7 million EUR worth... When everything is counted, KAP owes fascinating 61 million EUR for electricity.

Considering the fact that citizens owe 200 million EUR to EPCG for used electricity, the company is in a very difficult financial situation. Reports from the EPCG meeting also show that this situation is alarming. Srdjan Kovacevic, the President of EPCG Managing Board stated that Italian strategic partner A2A had announced a possibility of launching arbitrage procedure because of KAP situation, on the Board session 15 days ago.

It is not rare that A2A company is not satisfied: they are lacking 100 million EUR, without initial 430 million EUR for buying 43,7% of EPCG shares, since 2009 when they took over Elektroprivreda.

What does the law say - CGES has a legal possibility to reduce electricity consumption to unwarranted consumer KAP, or to cut KAP's electricity off according to the rules for Transmission System functioning, article 184.

-If the operator of transmission system can't ensure enough balanced energy on the base of its own responsibility for the transmission system work safety and protection of other consumers, he can prevent illegal exception of the consumer with reducing its total consumption for illegal exception. OPS can use such solution only in the case of clear recognition of the consumer responsible for an exception. If user responsible for exception and isn't in condition to refuse to be in accordance with demands of OPS, OPS has right to turn it off from the system, it is written in the article 184 of the rulebook.

CGES takes a part of the blame for such situation because it isn't used authority to make KAP reduce consumption at least because of its cutting off from the network have horrible consequences for Aluminum Factory. On the other side, EPCG is not ready to deliver energy to consumers anymore, especially not to those who are not making effort to pay for it.

Elektroprivreda took a lot of electricity on loan: EPCG doesn't want to sign a contract with CGES because they don't have guaranty that used energy will be paid because CGES doesn't want to accept precised conditions of payments which it has been asking from the system since 1 January 2013 and which rebalance of 84 MW causes Aluminum Combine on daily basis.

On the other side, EPCG has ordinarily paid its responsibilities towards company not conditioning KAP to pay as the third side.

Government should make the next move which has two variants: to make this company finally pay for electricity and resolve problem EPCG-CGES, or to solve a problem with debt set-off like it was in the near future and solve a problem on relation Government-EPCG.

Elektroprivreda began to be late with taxes and fees payments so this debt grew in 36

million by the end of this year. Debt to Elektroprivreda can be compensated with EPCG's debt for taxes and fees. In this case, citizens are as always responsible for Montenegrin Government inability to solve KAP's problem.

KAP's debt was decreased from 58 to 43 million EUR in mid-July last year with mutual debts' set off- what is the proof for this solution became practice in Montenegro. If KAP continues not to pay for used electricity, the variant of debts' set-off on KAP-EPCG relation is more and more certain what means that expenses will be on the cost of Montenegrin taxpayers.

Government should make the next move. President Vujica Lazovic announced that the solution for KAP will be introduced until 15 April, the latest. Does this mean finding the salutary formula for debts toward EPCG? Current situation is unsustainable on long-term and it seriously endangers the work of energy companies, and performances of Montenegrin economy.

*Source Serbia Energy SEE Desk/EPCG/KAP/Analitika*