

With all the difficulties and the circumstances Serbia steps on the way of the open electricity market. - Up to now EPS "had monopoly" to sell the electricity below the market price, not to be able to charge the bills, to lead social policy, due to what we lost six billion EUR. - The third phase of liberalization is on the way. Legal framework for electricity trading needs to be improved, It is necessary to enable companies to buy electricity on an annual, monthly, daily and intradaily level.

How the customers coped with the second phase of the opening of electricity market, how many suppliers entered the game and what the main problems are, - all of those were the main themes at the conference "Towards the electricity market", which was held on 11<sup>th</sup> February under the auspices of Ministry of Energy, Development and Environmental Protection and in association with PE "Electric Power Industry of Serbia".

Branko Filipović, the chief of Department for production, supply and electricity market in Ministry of Energy pointed out that the state would take the whole burden of social issues of its citizens, and it will help the companies to do their business and make profit.

- With all the difficulties and the circumstances Serbia stepped on the way of the open electricity market, and in due time we will clear all the issues left unsolved, - Filipović said. Ljiljana Hadžibabić, a member of Energy Agency Council, referred to the legal framework of market functioning as well as to the fact that the customers did not prepare enough despite all the lectures that were organized.

- The challenge is to find the way to explain the customers in the simplest way what their relationship with their network and their supplier is. In conversation with our colleagues from the USA and Germany we learned that there were many misunderstandings at the beginning of liberalization in their countries as well - Hadžibabić said.

She said that the relationship between the customers and their network and supplier should be explained to the customers in the simplest possible way. She added that the rules on changing the supplier (under which the change cannot take longer than 21 days) had been made in accordance with the EU directives and, according to them, the customer should address the new supplier which solves the relationship with the network operators.

- EPS survived two waves of liberalization and the third wave of market opening for households is coming. We will see whether that will be from 1<sup>st</sup> July, as envisaged by the draft of new Energy Law or from January 2015 - Obradović said. - Up to now EPS "had monopoly" to sell the electricity below the market price, not to be able to charge the bills, to lead social policy, due to what we lost six billion EUR. It is good for Serbia and for the society that EPS has additional incomes since we have not been investing in new capacities for 30 years. Soon we expect the change of EPS Articles of Association and memorandums of dependent companies as well as the continuation of reorganization, because the market is cruel.

Obradović stressed that the competition attacks the best clients and nobody wants the

companies with problems. He also made it clear that it is very important for the customers to get the explanation about the difference between a supplier and a distributor, who is responsible for electricity quality and who for the prices.

According to Željko Marković, acting director of “EPS Supply”, this company signed the agreements with the customers which make more than 70 percent of the market, and with the reserve supply there will be more than 95 percent.

- In the market, there is a problem with public procurements of electricity, since public sector did not plan the procurement of electricity in 2013. Some companies did not call for tender since they were not informed, but the most of them did not do it because they were not able to call for tender in accordance with the current law - Marković said. - Only now can we call for the tenders for this year, we respond to all the tenders and sign the contracts. We have already signed 50 contracts on the basis of public procurements, and there are 150 ongoing.

During the discussion, it could be heard that, by some researches, upon the opening of the market the electricity prices in the countries of Eastern and Central Europe will be similar to those in 27 member states of the European Union, which basically means that the liberalization brought the rise in price. Tina Jakaša, the director of “HEP Supply” talked about the experiences in Croatian market, and she pointed out that in Croatia, where market opening lasts for ten years already, in the last five years all the customers can choose the supplier. However, only from 2010 the alternative suppliers enter the market and today 19 of them have the permission.

- The alternative suppliers came when the wholesale price of electricity in the market significantly dropped, and when the great difference was made between wholesale and retail price, because then they saw the opportunity to make money - Jakaša explained. - From the half of 2013, they struggle with pressure in the market for households as well. Now there is a dirty competition for each customer. They use agency door-to-door sale, looking for pensioners who do not understand the contracts, even representing themselves as employees of HEP. We also had some fake advertisement when they said in the ad that they are 30 percent cheaper than us which is not true.

Mrs. Jakaša said that electric power industries had big capacities, above all when it comes to knowledge and people, and this should be presented to the public. She explained that electric power industry of Croatia struggled with competition, among which the *Croatian Telekom* is, by use of new products, packages, constantly available call-center, because they cannot fight completion by door to door selling.

Mr. Srdjan Kružević, the director of the company *Elektrovojvodina* reminded of the fact that Croatia had been in this project for five years, and Serbia has just started second year in this project.

- What is important is that we sell Serbian electricity in order to employ people and pay out

salaries – said Mr. Kružević. – and, still, we are dealing more with social program than with business, and it is up to our founder to see whether it should stay that way.

- In the territory of “*Elektrovojvodina*”, two more suppliers emerged, “*Nova Komodis*” and “*GEN-I*”, which have taken over just 0.5 percent of consumers, which implies that after all, we have done a good job and kept majority of buyers.

Mr. Srđan Resavac, representative of the Slovenian GEN-I, points out that they took over this buyer at the high voltage in 2013, and in 2014, so that they have 2.5% the medium and low voltage market share and concluded Contracts on delivery of 200 million KWh of electricity.

- We have 8 % of buyers in the transmission system and it is a big share considering the initial share. At the tender announced by EMS, we were equal by price to the “EPS Supply” – said Resavac – The Rules on supplier’s change and the Law on public procurement are to be agreed, since now the procedures cannot be followed. We have five operators of distribution system and it is complicated when you have a buyer doing business in the territory of for example three operators of distribution system, when there would have to be three bills instead of one.

Market is not supermarket

The economist, prof. dr. Božo Drašković, the associate of the Institute of economic science said we had a typical case of imposing the market from above, by political directives – with all the consequences it brings.

- We are threatened by the danger of market idealization and turning everything into supermarket, and the electricity market is not supermarket, because, thus the domination of traders over producers and buyers is created – said Mr. Drašković

Law against the market

Vladimir Janković, the director of the Department for electricity market operations of EMS explained that the Law on public procurement is not in accordance with the electricity open market principles.

- We have initiated public procurement on time, but we failed in completing everything, since it is a process which lasts for months and can be stopped by anyone – said Mr.

Janković – The improvement of the Law on Public Procurement must be made, since now it cannot be related to the Energy Law. It is necessary to enable companies to buy electricity on an annual, monthly, daily and intraday level.

Source; Serbia Energy