

Although, initially, it was announced that the electricity price in Serbia would be increased by 15 percent, and this not before the end of the heating season on 15th April, according to the latest statements of the Minister of Finance Dušan Vujović, the excise duty on electricity will not be stated as a percentage, but it will amount to 0.5 RSD per one kilowatt-hour, and it will come into force on 1st April.

Only a few days before this, the Minister of Energy Aleksandar Antić said that the electricity price would not be increased before the end of the heating season, and that it would depend on the calculations of the Energy Agency and the EPS whether and how much it would be increased afterwards. He added that Serbia had been under pressure from the international financial institutions for a long time already because of the price which was the lowest in the region and that amounted to 6.3 euro-cents per one kilowatt-hour.

For comparison purposes, the price of one kilowatt-hour in BiH amounts to 8, in Bulgaria to 9, in Croatia to 15, and in Germany and Denmark to 30 euro-cents. Even with a price increase of 15 percent and the price of 7.2 euro-cents, the electricity in Serbia will still be the cheapest in the region.

However, today, the Energy Agency announced that they had not yet received a proposal for changing the electricity price from the EPS. The Agency approval does not have to take long, because the data is monitored and analyzed regularly, but the new price is applied 30 days after publishing in the Official Gazette.

The information that the electricity price will be increased after all has been publicly confirmed only recently as a part of the program agreed with the International Monetary Fund.

Analysts are not unified in their assessment of the effects of the announced price increase. And whereas some of them criticize the conclusion of arrangement with the IMF, others comment that the price increase is inevitable because of the bad financial position of the EPS, which is to be blamed mostly on the price that does not cover the production costs. However, they all agree in their estimate that the price increase will hit hard the already impoverished citizens.

Market Opening

Although the electricity price will remain the lowest in the region even after the increase, this will not be sufficient for a new investment cycle in the EPS - the biggest problem, not only of Serbia, but also of the entire region, is that there is no construction of production capacities. In addition, there is no fostering of electricity market competition either.

As a reminder, since the beginning of year, the electricity market has been fully liberalized, but traders have not been competing to enter the Serbian market first. The reason for this is simple - the price is not competitive, and as the EPS calculation has shown, only the small consumers who enter the most expensive "red" tariff could possibly have the interest in seeking a new supplier.

On the medium voltage, the EPS Supply has managed to keep 95 percent of the market. The situation is similar on the high voltage, too. In addition to the regulated supplier - the EPS Supply, the biggest electricity traders are GEN-i, EFT and Rudnap. In these companies, they comment that the rules of market operation need to be defined so as to increase the competition. The second requirement is that the prices should reflect the state of the market.

When it comes to households and small consumers, electricity traders are still examining the market. Of the 85 traders who possess the license, only a few are active, whereas only three of them are supplying end consumers. Almost 65 percent of households and small consumers are supplied at regulated prices, which are below the market ones.

In Croatia, for example, households have been able to choose their electricity supplier for more than 18 months already, and there are split opinions about the market opening. The suppliers who were trying to enter the Croatian market had been offering somewhat lower prices in the beginning, but they also used marketing tricks because, for example, one service was much cheaper than with the competence, and another was much more expensive.

Although a true trade war between the HEP Supply and private electricity traders used to be described, the fact is that, of the 23 companies possessing the license for performing electricity supply, only six have a significant market share, and only 10 percent of households has changed the supplier, i.e. has left the HEP.

Until the regulated price in Serbia has reached the market one, households and small consumers will not have the interest in leaving the EPS Supply. At the same time, the suppliers are not showing any interest in end consumers either. By all chances, the households will feel the benefits of market opening when the regulated price has reached the market one, which will result in the suppliers competing for consumers. This is unlikely to happen in the following three years because the prices are rarely increased.