

Serbia: EPS board of director status meeting report for 1/2/3Q 2013

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Lack in the cash flows in the previous Annual business plan of 436.875.432 MEUR was reduced to 52.425.052 MEUR in the adopted rebalance. - The Board of Directors was informed of the problems that PE EPS and ECs are facing with regarding the application of the Law on Public Procurement.

Members of the Board of Directors of Public Enterprise "Serbia Power Utility Company " at the meeting held on 13th August, led by Dr. Aca Markovic, President of the B of D PE EPS, adopted the Annual program on amendments of annual business plan for PE EPS and subsidiary companies for 2013th, and the Annual business plan for EC "EPS Supply."

On the session that also attended Dejan Trifunovic, Deputy Minister of Energy, Development and the Environment protection, also were adopted planned acts of public enterprises in Kosovo and Metohia for 2013th. By these decisions were adopted revisions of annual business programs throughout the whole EPS system for this year.

As explained Aleksandar Surla, Director of the Directorate for economic and financial affairs, in this rebalance the revenue were increased by 183.487.681 MEUR, while expenses remained the same. He said that the lack of cash flow in the previous ABP (annual business plan) of 436. 875.432 MEUR in the approved rebalance was decreased on 52.425.052 MEUR.

- Previously scheduled negative net result for 2013th of 187.856.435 MEUR according to the adopted amendments will be 6.990.007 MEUR- said Surla. - Compared to the original ABP the approved rebalance has much better business results.

Member of the Board of Directors and President of the EPS Union of Workers Milan Djordjevic pointed at a big longtime ailment related to the shift work and asked all EPS officials to be more involved in the long term solutions to this problem.

At the meeting it was also discussed the work of the newly formed EC "EPS Supply". Zivotije Jovanovic, deputy general director of EPS, explained that the plan for this EC was to have 70 employees until the end of the year and that as early as in March next year, all the workers who were involved in supplying of economy companies for the electricity distribution passed to work in EC "EPS Supply."

- More than five years ago have been set out lists of people who were supposed to deal with supply and there should not be a problem. Energy Law must be respected and there is no reason or need for any disputes - Jovanovic explained.

Members of EPS BD adopted the decision on criteria for transfer prices establishing and the

decision on transfer prices. BD was also informed of the problems by which EPS and subsidiary companies were facing in the implementation of the Law on Public Procurement. BD members agreed that the measures establishment in order to overcome the problems in this law implementation was essential to allow normal production and operating processes in PE EPS and ECs.

Mladjen Malesevic, Director of EPS Directorate for the management and control of public procurements, informed EPS BD members on the meeting with the leaders of the Public Procurement Office and the Commission for protection of bidders' rights, which are willing to help EPS in order that procedures be completed as efficiently as possible. Malesevic pointed out that one of the possible solutions was exemption from the Law on Public Procurements for EC that were engaged in market activity, or wherever EC were exposed to competition, with the adoption of the Rules on Procurement. He explained that a similar principle was applied to "Telekom Serbia ", where mobile telephony activities were excluded from public procurements, and fixed telephony was not. BD members agreed that the law inhibited very the production processes in the system, but it was necessary to take care to avoid abuses.

Board members made the decisions on sponsorships and donations to the Olympic Committee, Water Polo Association of Serbia, Serbian Handball Federation, Volleyball Federation for the senior men's national team and the senior women's national team.

Risks

One of the main external risks of the annual business program achievement is related to the uncertainty of the Serbian economy recovery, which depends on the economy recovery of the euro zone and region and the foreign capital inflow. The key external risks include interest rate movements and import prices. Internal risks are related to the disposal of reforms and economic policies, as well as eventual dinar oscillations against the euro, foreign investments decline and risk premium increase on foreign loans. Any percentage of higher inflation increases the cost of about 906 million per year, and the percentage of rate growth of 339 million per year.

Source; Serbia Energy/ EPS Kwh