

Aleksandar Obradovic, acting director general of "Serbia Power Utility Company" will suggest to members of the EPS Board of Directors that on the meeting, scheduled for 20<sup>th</sup> November adopt a proposal of a single price introduction for the cost of electricity distribution all over the territory of the Republic of Serbia. This will be done by forming the distribution system operator (DSO). The establishment of this new subsidiary company is the only way that all customers who exit on the electricity market in Serbia by 1<sup>st</sup> January 2014<sup>th</sup> have the same conditions for access to the distribution network and to prevent uneven costs distribution between the regions of the Republic of Serbia. Obradovic also earlier had several attempts to put this decision on the meeting agenda of the EPS BD, but the proposal was rejected each time.

If the current five companies of electricity distribution would be organized as five distribution system operator (DSO) from 1<sup>st</sup> January 2014<sup>th</sup>, customers at medium voltage network fee will pay different prices, because there will be five different prices for access to the distribution network. Therefore, customers in Serbia that use the same amount of electricity would receive bills at different prices from 1<sup>st</sup> January 2014<sup>th</sup> - depending in which country's part they operate.

Customers who would like to exit in the liberalized electricity market, and we are talking about more than 3.000 customers from the economy, will get different bills for the same consumption structure and amount. For example, for the same energy consumption the gas station in Nis will pay a higher price than the station in Belgrade.

There will be customer discrimination in activities that should be offered to all on equal terms in the economy category, and this will lead to uneven regional development because the business costs in southern Serbia will be higher than in the rest of the state. Due to higher tariffs caused by the size and structure of the five distribution companies, almost half of the economy that operates in Serbia will be discriminated compared to the economy of Vojvodina and Belgrade. This situation can be avoided only by forming a single DSO in the whole Serbia instead of the five, which is predicted by the Starting points for the reorganization of "Serbia Power Utility Company", adopted by the Government of Serbia on 16<sup>th</sup> November last year. The creation of an ODS brings cost savings and more efficient operations, but also equal conditions for economic development, while five DSO would bring an increase in costs and unfavorable conditions for regional development.

In case that one single DSO would not be established, but five DSO continue to operate, from 1<sup>st</sup> January 2015<sup>th</sup> also the households in Serbia will not have the same pricing for grid charge, which forms part of the electricity price. This means that it would come to the regional discrimination of electricity customers.

The provisions of the Energy Law, the Agreement on Energy Community of South East Europe and the Decision of the Government of Serbia to adopt the Starting points for EPS reorganization from 16<sup>th</sup> November last year, include that the "Serbia Power Utility

Company” was required to separate the activities of the supply and electricity distribution. Without separation of these activities would not be possible even to open the electricity at medium voltage as defined by the Energy Law.

By establishing “EPS Supply” these obligations were partially fulfilled, but five companies for the electricity distribution now do the job of distribution system operator (DSO), although by the Starting points is predicted the formation of one DSO within the “Serbia Power Utility Company”.

Source; Serbia Energy/EPS