

## **Serbia: EPS will remain with top market share, Dr Aca Markovic, Chairman of the Supervisory Board of PE EPS**

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EPS will certainly be dominant in the open market, at medium voltage, in 2014. - Our basic premise is coal and electricity production to secure supply. - Moving to joint-stock company does not necessarily mean privatization, just means a different, more efficient management model. Hardly anyone has thought that record electricity production from 2011<sup>th</sup> of 36 billion kilowatt-hours could be outperformed, but the "Serbia Power Utility Company" has proven to be. Production in 2013<sup>th</sup> will be 37 billion kilowatt-hours, it is a historical EPS production - says in an interview for our newspaper Dr Aca Markovic, Chairman of the Supervisory Board of PE EPS.

Markovic indicates that we will also remember this year for the EPS export that will reach three billion kilowatt - hours, which is also one of the historical results . Chairman of EPS SB emphasizes that the open electricity market at high voltage has been opened from 1<sup>st</sup> January 2013<sup>th</sup> and that EPS then kept all the customers, except one. He believes that, in comparison to other competitors, EPS has its own production and it can sell electricity at a price that is more favorable compared to the traders , who have higher costs in electricity supply. According to him, EPS will be certainly dominant in the open market at medium voltage in 2014<sup>th</sup> , because it does not have either the ability to sell electricity at a lower price or the possibility of an effective balancing, which ensures security of supply .

-The market rewards the brave and punishes the timid. We have to increase production, reduce costs, measure all and respond to tasks - explained Markovic.

### **At the beginning of 2013th EPS was faced with a difficult financial situation. How did it all overcome?**

We had financial problems at the beginning of 2013th, because in 2012th we had unplanned costs of about 200 MEUR for the supply of electricity, fuel oil and gas. Thanks to good hydrology, good willingness of our thermal capacities, electricity export and successful billing of electricity - 2013th will be the year without financial losses and much better than it was expected.

### **What were the most important jobs in 2013th?**

It was finished a complete revitalization of hydropower plant "Bajina Basta", it was put into operation the fourth aggregate and it was increased the power of this HPP for 52 megawatts. It was also completed the fourth aggregate in HPP " Djerdap 1 ", so the power of aggregate 4 and 6 in this HPP was increased by 15 megawatts. The truth is that the revitalization of four aggregates in " Bajina Basta" was completed in four years , and in "Djerdap" it takes longer, but an additional contract with " Silovije Mašini" from St. Petersburg has been signed

recently to complete the remaining four aggregates in the shortest possible time, for up to five years . Then we will gain new strength of at least 60 MW in HPP "Djerdap1". All is prepared to start the revitalization of HPP "Zvornik" in the next year and to continue with development projects for the revitalization of the "Lim hydropower plants". We have a duty to keep up annual coal production in the Mining Basin "Kolubara" of 30 million tons and nine million tons in "Kostolac". This is a requirement to have a base energy production from 26 to 27 billion kilowatt - hours . We provide the rest of the energy from hydrosection, all to ensure the consumers safety in Serbia. However, the major coal producer is MB " Kolubara" and we must not forget it. The preparations for the opening of new mines for coal production are underway.

### **The contractual agreement with the Chinese on the building of third unit of 350 MW in thermal power plant "Kostolac B" and the expansion of the mine "Drmno" has been signed recently. What is the significance of this project?**

The construction of large thermal capacity was agreed after more than two decades. It was not easy to come to the contract because these are large financial and legal and technical works. The contract with the Chinese company "CMEK" was determined to build a unit of 350 MW and to increase the annual coal production from nine to 12 million tons. There are all conditions to realize a very important project in "TE-KO Kostolac".

### **How important is it that that distribution system operators provide a unique service to all suppliers and buyers in Serbia?**

The basic principle of the regulated market is a regulated access of the third party . This means that two networks , or two highways will not be made. There will be one highway, one transmission and distribution network , but under the same conditions . Simply , the game is started , at the end we have a judge and that is the Energy Agency of the Republic of Serbia , which has sufficient economic, technical and legal knowledge to be successful to try the match in the area of gas, oil derivatives and electricity. Given that the Energy Agency is competent to approve prices for access and use of the transmission and distribution networks, specifically for the regulated activity. When it comes to market and security of supply , it will be much tougher to market participants, as well to the EPS. There are three important quality aspects of customer supply and Agency also must take a stand how to realize the commercial concept of consumers supply. First, attention should be paid to the account, connection , communication, and quality of the relationship between consumers and suppliers. The supply security and electricity quality are important, as well as the meters accuracy used for the electricity measurement. The Energy Agency will assess the costs reasonableness in "Jugoistok" and "Elektrovojvodina". You need to know that the operator bornes the losses and interest is to reduce them. The more we introduce EPS in the economy, we will be more effective .

### **The Minister of Energy has announced that EPS will soon become a joint stock company. What is your opinion about it?**

The key is the opinion of the Government of Serbia, and our position is that the "Serbia Power Utility Company" should not be privatized. If we say that the EPS have a record

production and record exports during this year, it should not be ignored that this result produced a company that is 100 percent owned by the state. There are no branches in the energy sector, which has been successfully privatized.

### **Why would change into a joint stock company necessarily mean the privatization?**

Moving to joint-stock company does not necessarily mean privatization, just means a different, more efficient management model. I think that there is no need to rush with the change of management in "Serbia Power Utility Company". So far EPS has proven to operate successfully. An example is Kostolac where were integrated coal and electricity production and I suggest that Kolubara and TENT should be one integrated company and thus we gradually move towards a system which will look different of course. It was unthinkable a year ago to have one supplier, but it is a right way and a good decision. When it comes to the distribution system operator also the good decision is to have multiple operators. It is about the network and quality of supplied electricity and it is better that where there are problems, there are decision and resources. Today, in the world and economy, it is not a question of whether something is centralized or decentralized. The answer is decentralized and the only question is how much.

Source: EPS Kwh