

Preparation for 2016 stock market entrance and sale of shares is under way. Restructuring of power utility Elektroprivreda Srbije EPS is under close watch of IMF and EBRD.

The state as owner has to be consistent in implementing business changes, which implies the application of market principles, without delaying the rationalization and elimination of internal loss generators. In order to create a strong market competitor, the price policy is inevitable. The average electricity price of 5.7 euro cents covers the costs for amortization and regular overhauls, but is insufficient for investing in new projects. By setting the economic electricity price to provide the possibility for investments planning, together with realized savings, the image of a company is improved; a company to be able to borrow money for the construction of significant capital structures. This process should have been executed a long time ago, because we had better chances of taking loans in those happier times.

The prices for transfer and distribution services have been adjusted, as well as the prices at which the public supplier sells electricity to the households and small buyers. The prices at which the suppliers sell electricity to other suppliers and end consumers are freely formed in the market. The problem is that those adjusted prices are below market prices. According to the EPS estimates, due to electricity prices that are not market prices, around six billion euros was lost in the last eight years. Besides missed revenue on the account of the depressed electricity prices policy, we have a plethora of indirect effects. Due to low price, the electricity is being spent irrationally, so that we have specific electricity consumption at the level of developed European countries, while our GDP per inhabitant, per capita, by purchasing power is at the level of only the third of the EU average GDP.

Reorganization of EPS was announced and postponed several times. There is no longer time for waiting, since otherwise better time will never come. Naturally things cannot be solved overnight. The fact that EPS has 36.000 people at the payroll tells about its importance for the social peace in the country, especially in the situation when the rest of the economy is not working. The rationalization should certainly be implemented, but in such a way that the number of production employees is increased, since there is a demand for some professions. We lack miners, excavator operators, assembly workers and other workers in the production sector, while the number of workers administration is too big. These days, the media presented information on the amount of the average salaries in EPS, and one should also keep in mind the specific work conditions and the fact that workers at particular places are exposed to great danger. It is ungrateful to compare the number of workers in EPS with some other power companies, because such analyses must take into account the entire armory of factors such as the structure of the production, technology used, whether the mines are involved.

The company entering the stock market implies the complete process of corporatization. It is required to meet an armory of preconditions not relating only to adequate form, but also

to essential strengthening of EPS. Under the conditions of having the low electricity price and current position of EPS, the stock price would be low, which would suit the investors. And then, all those measures relating to price increase and cost reduction would be applied, not taking care of the direct consequences, since the private investor has only one primary goal, i.e. the profit. In the wave of liberalization and privatization, there are many examples of entering of private investors who only pumped out the profit out of the country, while the safety and security of supply was marginalized. In the surrounding countries, there were attempts of renationalization of electric power industry. I think there is much work ahead of us inside the company before we start considering the possible entering the stock market. EPS has entered the high voltage and medium voltage market, and the market is fully opened

Since January 1st, the market is 100% potential and open. The households and smaller buyers are able to enter the market, but they do not have to. For the time being, fewer buyers have market experience, and those are mainly foreign companies. There are approximately 70 licensed suppliers, but few of them is active and competitive with respect to the EPS's offer. EPS is ahead of other traders because this company is a producer. The introduction of market principles into the business operations of EPS is a precondition for it to stay in the competitive market. Power industry as a business activity has undergone huge changes in the last two decades. However, the application of the liberalization concept via production and distribution privatization has not always been successful in practice, nor it has inevitably led to desired results. No one can be more concerned about our national interests than we alone. The conscience of some individuals and the support by the state would be strong enough to put their best efforts in making EPS the Serbian economy driving force.

On the other hand, we face a problem of the population that cannot provide for the minimum of power for survival. Since last year, the application of the mechanism for the protection of the consumers lacking sufficient power has been initiated.

According to the estimates by the Ministry of Labor, there are 300.000 power deficient consumers, but in 2013 only 66,221 households acquired the status of a power protected buyer. In the long run, the scope of vulnerable groups should be enlarged, simultaneously with regulated price increase.

Higher price of electricity will provide higher profit for the budget that will be the source for financing the protection of vulnerable groups. Thus, it is required to make EPS a strong, stable and profitable company, since only by changes we will be in position to secure the support for vulnerable consumers.

Making space for rationalization

Few European countries is independent when it comes to electric power. The very concept of the EU Directives is establishment of the European market on which power is traded

freely, so that if the industry started growing, it would have to find a supplier for providing the electricity. It does not have to be EPS, because power could be imported. The households have been dominant in the consumption structure for a long time, and there is a vast space for the consumption rationalization thereof. A major problem accounts for the electricity used for heating purposes because of its low price. For dealing with this issue it is required to develop a system of remote heating, and/or give incentives to alternative heating sources or energy efficiency enhancement.