

Serbia exclusive interview: Total liberation of the electricity market by the end of the year says Aleksandar Obradovic CEO of Serbia Power Utility company EPS

Categories : [News Serbia Energy](#)

Date : July 7, 2014

EPS(Elektroprivreda Srbije) is oversized, the making-decision system complex, there is no clear responsibility hierarchy in place. There are 650 directors within the system and enormous administration. We are losing 100,000 Euros daily says Mr. Aleksandar Obradović, the Acting Director of EPS.

The first estimate of the damage made by the floods in EPS amounted to around 200 million euros. The largest part of the damage is the damage suffered by Mining basin Kolubara, and as the majority of equipment has been under water at the start of July as well, this figure is not final. "The indirect damage will depend on the degree to which the EPS production will be endangered in the following period. Namely, average coal production in Kolubara produces coal for Obrenovac thermal power plants, producing 50% of the total Serbian electricity. In early June, we have achieved daily production of 45.000 tons of coal in Kolubara. As a blessing in disguise, this happened in the period of scheduled overhauls in thermal power plants. The greater electricity consumption, the more evident will be the shortage of coal production. The battle for EPS is fighting in Kolubara, pointed out Mr. Aleksandar Obradović, the Acting Director of EPS

- Was there an option to make this damage lesser?

We have been working on an analysis of what equipment has been damaged and accordingly, we shall assess if everything was done timely. Most of the equipment is very heavy to be moved, so we should have known half a year ahead in order to initiate actions.

- Cost for electricity Serbia imported during floods amounts to five million euros? Has this been a regular or extraordinary import?

Import and export of electricity is a regular and normal activity and necessary for balancing. Through the import and export the system is kept on running. With this extraordinary import of electricity, EPS still does not exceed the business plan framework. The start of the year was promising even better results than planned. Today, we produce 75 million KWh a day. With increasing consumption, I can say today that we will have to import more than planned beforehand.

- You have not thought about power cuts for a minute?

For the time being, no we do not. But, it should be noted that Decision on power cuts are not

always in EPS domain. If there happened gas crisis, if MB Kolubara did not increase significantly its production and the surrounding countries prohibited import of electricity, then we would be forced to consider that option.

- According to officials' statements, there were some speculative attempts to earn some extra profit on electricity import.

We have not accepted such offers, since the price was not suitable. We only buy the lowest price electricity at that moment. Whether that is subject to some offence will be decided by state authorities.

75 MILLION kilowatt hours are currently produced daily

The indirect damage will depend on the degree to which the eps production will be endangered in the following period. The greater electricity consumption, the more evident will be the shortage of coal production.

EPS INSURANCE

"EPS has secured insurance for all its dependent companies. According to current organization, each dependent company enjoys great autonomy and is not obliged to observe recommendations from the central office. We have never claimed that Mining basin Kolubara does not have insurance, but that it is not the insurance we recommended – consortium of UNIQA and WienerStadische. We have chosen Dunav osiguranje. The claim of the central office was that our list of insurance coverage includes floods as well. Now, I learn that Milorad Grčić, director of Kolubara is convinced that this item is covered by Dunav osiguranje. I can only say that I am content if that is the case. However, even the Prime Minister, Aleksandar Vučić, when addressing in the Assembly, said it had not been covered. In case this is true, the damage must be covered by EPS system."

- How do you manage EPS when each member is a company in its own sleeve?

What can I tell you... Some of the directors call me a liar and the management does not know, does not understand...

- Then, how can you be impeached?

One can be impeached even for the thing one has not done. From that very desire to take the responsibility for the entire system, I act as the General Director of EPS and I try to take the responsibility for more than what is within my term. On the other hand, someone misuses it, so I was charged with a few things. But that is not the issue, I am not afraid of the responsibility and I will take it. However, the way we are organized is not normal, neither good nor efficient. EPS is a loss-maker for years. Not until the last year did it started to make profit, and in all this confusion, we have managed to become the second most profitable company in Serbia.

- Is the reason for avoiding the corporatization, the attempt to avoid the departization as well?

The psychology of people is to fight against the change. Apart from the fear of change, I am sure that in EPS there are interests aimed at not having those changes happen. At the places where the experts are needed, where the responsibility is huge and the expertise is required, at those places there is no rushing for getting hired. I do not have party-related problems when some miner, installer or electric engineer is to be found. The problem is in the existence of some jobs that are virtual, with excellent salaries and benefits, with no responsibility and almost no work. It is not a sin if someone is a member of a party, I am a member of Serbian Progressive Party and I am proud of it, but that should not be the only reason why someone gets a position. The other thing is that departization can be efficiently eliminated when you cancel all this artificially set job positions. So, if there were no 650 directors, departization would be initiated. Vividly said, I am not chasing a mouse, I am just removing the cheese. If there is no cheese, there will be no mouse.

Electricity production and trade are no longer activities of general interest, only distribution remained as an activity of general interest

Debts and collection of debts

We have current debts of about 20 billion, out of which 15 billion is in public supply, two and a half billion in commercial supply and two billion in the backup supply. We had 85 billion RSD debt before the foundation of the "EPS Supply". It's an old debt that we negotiate with the state. EPS has delivered that electricity, invoiced and paid taxes, but has not collected the debt.

- Opinion of some directors that the centralization of EPS would mean the loss of income for the local area and some work posts not existing anymore. Do you agree with this assessment?

Former and current directors say that if it comes to reorganization of EPS, it will lead to centralization and if it leads to centralization, it will mean "Belgradization", which is not true. For example, in my reorganization plan from a year and a half ago, I thought that the new company EPS "Supply" should have the head office in Novi Sad. Business logic of every company consists of hiring people where it is cheaper and more profitable to do so. Belgrade is the most expensive when it comes to staffing, and therefore, why forming an accounting center in Belgrade when it is cheaper to do so in the southern Serbia. Therefore, the centralization doesn't imply the decline of local community.

- You think this isn't the moment for privatization of EPS?

We do not advocate the complete privatization, because the prices of all electric power industries are at the historical minimum. Stock values of all major electric power industries have dropped by 40 % to 80 %. The Prime Minister Aleksandar Vučić said in his expose that for EPS it was planned that a minority strategic partner should be included, but it is expected to happen in a year or two. Practically, we have only two years for reorganization of EPS, in order to attract someone.

- What is going to happen to other subsidiaries in the case of privatization?

Subsidiaries are going to be more integrated into the system of EPS in the sense that their structure should be optimized, and then it will come to corporatization. It represents a new way in corporate management, where a clear pyramid of responsibility is formed. The one on the top is 100 % responsible for all actions of his directors and if any of the directors doesn't work well, he can be replaced. My directors are not headed by me. Corporatization also brings savings and unification of all corporative services which can be done centrally, for example IT procurements, finances, accounting, public relations are actions that must be done in one place. Then, we won't need 14 PR directors, but one. I am not saying that he will be located in Belgrade.

- What is your assessment as a serious candidate for the position of the director of EPS last year, regarding how long the acting director position will be yours?

This is a question for the government. This was one of the most successful job postings for which 80 candidates applied and as I heard, several serious candidates. I think it is important for EPS for this job posting to end as soon as possible, because to be the head of EPS is something to be proud of, but it is also a big obligation.

We do our best to make the electric power system as stable as possible, more resilient to such impacts as the flood is, and on the other hand, not to burden the citizens already suffering from economic situation

We have TWO YEARS to reorganize EPS to make ourselves more appealing and interesting for someone

THERE IS NO CROWD REGARDING THE EXPERTS POSITIONS

At the positions where the experts are necessary and which require a big responsibility, expertise is necessary. At those positions there is no crowd for getting hired. I don't mind in the political sense, when it is necessary to find a miner, assembler or electrical engineer.