

“One of the obligations from the Starting Points for the reorganization, to which the Serbian government has given ‘the green light’, is the provision that the EPS should become a joint-stock company. EPS is ready for that change and it was announced from the Ministry of Energy that transition into a joint stock company could happen by the end of this year”, say in the EPS management.

Nothing was clear to the citizens of Serbia when during the summer started to come notifications from the distribution that had previously supplied them by electricity, and then also the account of the new enterprise “EPS Supply”. Many people have excess money in the account in distribution and it was not entirely clear what would happen to their “trapped” money. Some bills were late, some were wrongly booked and they had to queue in front of the counter for each claim. Thus, the distribution’s counters were under some kind of citizens’ siege for days.

The question is whether anything could be otherwise, and whether other countries dealt with such problems when the electro energetic companies adjusted to the European Union’s regulations and opened the electricity market. There probably was not so much chaos as in Serbia.

When one looks at a people’s army that work in the largest Serbian energy company, “Serbia Power Utility Company”, which has more than 33.000 employees, it is also logical question of how does happen such disorganization in such great company. The order and organization in such companies probably are basic prerequisite for business. It seems that they still are not.

All the problems that occur lately in the public and that are related to EPS, it seems to be reflection of the disorganization and responsibility lack in such a large system. Because when seeking a culprit for the failure, everyone just shrug their shoulders and point to the next. And also the leaders of the “Serbia Power Utility Company”, namely its formation first man, acting director Aleksandar Obradovic has indicated for long time that in the EPS responsibility has no name. And without liability with names, it is difficult to successfully operate.

It sounded amazing when EPS acting director said a few months ago that none of the subsidiaries’ directors were liable to him, but only to the Board of Directors. Without the Board of Directors none of the branches’ directors of these subsidiaries can be replaced. When one looks at the responsibility’ scheme in ‘Serbia Power Utility Company’, a sort of spider web would be got. Is there even a way out from that spider’ labyrinth? “In the current organization within the “Serbia Power Utility Company”, the parent company does not have the authority to organize the work within its subsidiary companies”, explained in EPS. “Each subsidiary is organized according to its founding documents, and these laws do not recognize the EPS as a whole, but as a set of totally independent economic entities! The State reviser institution sees us in the same way, as well as 14 completely independent

economic entities”.

“Serbia Power Utility Company”, otherwise, is made of the parent public company and 13 subsidiary companies, according to Serbian laws each of them has its own independent finances, legal services, human resources, procurements, information technologies. So instead of one director of finance, EPS has 14, instead of a single director of legal service, there are 14 of them, and at all shall be added multiple sectors, services and, which is more important, the operation’ costs in each individual company within the EPS. Acting Director of the “Serbia Power Utility Company” argues that the only way out is in the respect of the Serbian Government conclusion from November last year. By this conclusion Serbian Government adopted the Starting Points for the EPS reorganization, by which EPS would become one organized and efficient company. But during a year has not been much fulfilled. On the question why is it so, all shrug their shoulders again and point at each other.

“One of the obligations of the Starting Points for the reorganization, for which the Serbian government has given the ‘green light ‘, is the provision that EPS should become a joint stock company. EPS is ready for the change and it was announced from the Ministry of Energy that that transition into a joint stock company could happen by the end of this year” said in the EPS management. “By the conclusion’ adoption the Serbian government approved establishment of one company for supply and one company for distribution system’ operations. However, EPS , only succeeded to establish a company for supply. And that is all that has been done for the year of the Starting Points for “Serbia Power Utility Company” reorganization.

Although it sounds incredible, EPS did not respect even the Law on Energy a year ago. Namely, by the 1st October 2012th EPS had to separate the supply of distribution, because without it there are no liberalization and the electricity market opening.

“Previous EPS leadership did not do anything to prepare itself for the competition. Only new leadership, with many obstructions from many levels, established ‘EPS Supply’ and met legal standards”, says in the EPS management. “In order to enter the competition and to open the electricity market, we had to separate the part where existed a natural monopoly, which was the distribution sector of the activities where existed market game, which was supply of businesses and individuals”.

In the EPS organization was not also met the Law on Public Enterprises, under which it cannot work the Board of Directors , but the Supervisory Board. Thus, this law has been effective for almost a year, and decisions in the EPS still takes the Board of Directors. There is not the Supervisory Board, as well as the decision on the EPS reorganization.

When asked what this mysterious corporatization is, in the EPS say that it is a process by whose implementation this energy company would become regulated and organized.

“Then EPS would have a unique system of governance and management in financial and economic jobs, legal affairs, information and technical support for all companies within the

system and thus the costs and revenues within the EPS would be optimized “, say in the management of the company. “Question of the Starting Points is the basic prerequisite for any idea of a strong, powerful and successful EPS. Anyone who hinders the EPS transformation in a modern, efficient company also hinders the progress of the Serbian economy. Everything else is just makeup.”

With the present EPS organization it turns out that no one is ever guilty and the “guilt” ball is just switched from one to another. Over the past year, not much has been changed, but until recently it was not even clear what it all has to be done.

“In order to really implement corporatization, it is necessary to change the company’ statute and the founding acts”, point out in the EPS management. “At the proposal of the relevant Ministry of Energy, Development and the Environment Protection, the Government of Serbia enacts these documents. Anyway, the decision that a public company should be transformed into a joint stock company must bring the owner, namely the state. EPS prepared complete documentation, and now remains to let these Starting Points to be met through the change of statute and the founding documents. “If the starting point had been taken, the state, as the owner, could assess the performance and effectiveness of the management and the EPS first man.

Corporatization also includes the savings, because it brings cheaper way to manage through the centralization of various activities within the EPS group, instead of keeping these jobs separately in each company. The savings are estimated to be at least 36 MEUR per year, or nearly three MEUR per month or 100.000 per day.

“It is necessary to achieve the maximum business efficiency, precisely through the unique system of governance and management in finance and economics jobs, legal affairs, information-technical support for all its subsidiaries” - it is part of the provisions of adopted basis for the EPS reorganization.

The EPS management also indicates that opening of the electricity market, on which Serbia has committed by signing the Agreement on Energy Community and by respecting step towards joining to the European Union, can be an additional problem. Although the market for high voltage has been opened from the 1st January this year and EPS is no longer a monopoly, the liberalization of the market in the medium voltage that should happen on 1st January 2014th has not been quite prepared. In fact, if things stay as they are organized at this moment, with five distribution system’ operators instead of one, buyers from the industry will have different costs for grid charge. It will also come to the customers’ regional discrimination because the economy in the south of Serbia will pay more expensive grid fee than the economy in Vojvodina and Belgrade. The conclusion of the Government of Serbia for the EPS reorganization has not been respected also in this case, which provides the establishment of one distribution system’ operator.

It remains to be seen how long will be disposed the reorganization of our energy giant that



Serbia exclusive: Power utility company EPS preparation for market liberalization, restructuring supporters and opposition, the report

would save us even 100.000 euros per day.

Source; Serbia Energy/EPS/Agencies