

Serbia: New electricity price might ease the 2015 overhaul planning in TPP Kostolac

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Saving and rational use will be the primary business compass of the Economy Company "Thermal Power Plants and Open- Pit Mines Kostolac". In the Serbia Power Utility Company EPS in progress is rebalance drafting of the annual business plan for 2013, particularly because of changes in electricity prices.

In fact, as it is known, with different electricity price from 1st August the biggest changes will be in the income that should be achieved by that way. Another reason for rebalance should search in the fact that another company within the EPS was established by the recent decision of the Board of Directors.

In the suggestion for plan rebalance of EC "TE - KO Kostolac" 27. 192. 983 MEUR of new funds were inserted, of which 4. 122. 807 MEUR for the Directorate for coal production and the Directorate for production improvement, namely the investments of 23.771.930 MEUR. It should be noted that the plan for this year was restrictive and that by the saving measures were reduced even basic repair jobs, especially in the coal sector. Rebalance is a chance to do some of the urgent works during this year by providing additional resources. Stanko Milanovic, director of Directorate for economic issues, said: -We expect to get the approval of the Serbia Power Utility Company in these days, and after that we start the work realization, said Stanko Milanovic. Compared to last year, which we have already discussed, the budget was reduced for the amount of maintenance costs, as an investment, overhaul, also current maintenance up to 40 percent, and other expenses up to 10 percent.

We should strictly take care of those costs, we must not overdraw them. We drastically reduced the cost of our facilities maintaining and actually this will be our greatest achievement, to bring them, in such circumstances, in the state to be able to generate the physical production volume, and all that in order to have good results in the 2013. We expect according to the realization that we recorded now every month, and we introduced a new system to follow all costs in relation to planned expenditures on all levels each month for the previous month, and to realize it. Every 24. in the month the report is submitted and, where we find that there is a possibility of cost overruns we react in the way to send signal to the director of EC "TE - KO Kostolac" which still gives the order how to direct these costs to remain within the plan limits. In addition, we also monitor income compared to the plan. We have recorded reports compared to the expenditures. Currently we know that earnings from business operations for five months are 14. 912.281 MEUR. This is not the final amount, because we still have not the overhauls cost, the procedures of all public procurements did not complete, so for few months we will also have a possibility to compare that, said Milanovic.

Full liquidity achieved

- We made great progress, concerning obligations to the suppliers, says Milanovic. So far, our obligations to them were 22 to 26 MEUR, and it was a liquidity problem and we were late in defrayal from 60 to 90 days, and even more. In the last two or three months, we provided

liquidity, so we pay the obligations to suppliers within the law about the payments in commercial transactions, which we have to pay within 45 days as we are public state-owned company. Now not only that we complete this part, but we acquit our obligations on time, as it was agreed with some suppliers, says director Stanko Milanovic. Currently, we do not have many obligations to suppliers, they are about 175, 439 MEUR per day. The only problem that can happen to us is that some bills are not certified on time, that are detained among some managers so we are late in those agreed deadlines. Where we have a problem we always find a solution, this time by the electronic signature of these accounts, so the accounts do not go physically from one person to the other, but electronically. This will significantly reduce the time for the bill signing, especially in the part where we are not late, in the lawful payments, but in the part of the contractual obligations, which is our primary goal. Procedure of the electronic signature is completed, it was presented to the management, and it remains to determine which persons have signature authority. At the level of EPS we first started and most of this we did, so our system of electronic signatures should be a pilot project for the entire EPS.

Stanko Milanovic says this is the first time that a level of business is like this: -I believe that this business year was brought with some actions, regarding the financial part and the cash flows, to the level that did not exist for the last 20 years. The fact is that the goals of the business policy are in line with the EPS objectives but the actions of financial discipline reinforcing went one step further when it comes to our company. The rationality became our business style and production requirements are completed with maximum use of available resources. However, by the end of the year it is expected the completion of the most important repair jobs on the open - pit mines, by which the final business result will be known. No matter what, the company set a target and it is the fulfillment of annual production tasks, which will not be easy task, concerning that the benchmarks for this year's plans were two previous years, the most successful in the company history.

Source; Serbia Energy/EPS TEKO