

Serbia: Power market 2014 effects on Serbian power utility company EPS, traders awaiting the run start for middle size consumers

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Beginning of the monopoly end

In order that the free electricity market could work, also the legal state must operate, particularly in contract and payment terms respect. "It will be a huge process to do such a simple thing: to respect the contract, to be paid on time, or that exists a mechanism that regulates relationships between creditors and debtors. Great progress will be made when it would be reached"

Market opening is not just electricity trade but also production: it is expected that in the near future will appear new, independent producers, especially after the South Stream construction and when the natural gas facilities would be cost-effective, when one day begin oil shale's mining, or someone finally remembered that power plants can used crop residues as a fuel. The establishment of a free market - production and trade, will also set up a competition that will inevitably lead to the closure of unproductive, unprofitable plants, by the way, and serious pollution, such as the oldest one in the Kolubara basin.

There will be organized a kind of electricity exchange through which it will be performed the entire trade. The system is, in fact, simple: customers give offer for buying, sellers for sale, and the price is determined in relation to the place where the demand and supply curves are interbreed, which is the most transparent way of price determination at the moment.

In contrast to the gas supply, in which there is only one place where gas enters or may go out of Serbia, until the South Stream would not be finished, although it is not even started, Serbia will be well connected by trunks with neighbors: the trunks' capacity is bigger than third of the total production, so that every trader can easily deliver or convey electricity. Also, unlike the natural gas, where there is only one supplier, Srbijagas, Serbia has licensed 65 and 30 are active electricity traders: they are all potential suppliers in the future market.

Since the beginning of this year, according to the Law on Energy, all consumers at high voltage, so the biggest ones, "were taken" of the electricity supply at regulated prices and sent to market. There was some push-pull, because as usual, not everyone was ready even though they had plenty of time for that, but the market is still unsettled. This is about 10 per cent of the total consummation.

From 1 January of the next year, again according to the law, on the market will be supplied all consumers at medium voltage, which is an additional 40 percent of total consumption, and from 2015th the electricity market will be fully open to free trade, but "small customers" - households, small businesses, artisans, owners of "shop on the corner" - will still have the

right to buy electricity from the public supplier at prices determined by the Energy Agency, lower than the market ones. They will be able, but also will not be obliged, to freely decide of which supplier will buy the electricity. The public supplier is (for now) EPS and probably will remain that way, but not necessarily.

However, in order that the electricity market could operate, there also must be the legal state, particularly in respect of the contract and payment terms. "In that sense our total market is absolutely unfinished - it is contaminated of a huge non-payment", says Dragan Vlaisavljevic, Director of EPS for electricity trading za "Vreme". "It will be a huge process to do such a simple thing: to respect the contract, to be paid on time, or that exists a mechanism that regulates relationships between creditors and debtors. Great progress will be made when it would be achieved."

It will be necessary, he says, to amend the Law on Energy, to enhance the powers to the regulatory body and the Energy Agency, not only to observe and warn but to be able to punish violators of the rules.

It is almost certain that it will be changed the definition of "small customer" in the Law on Energy: now the limit is placed as in the countries of European Union - to 50 employees and / or annual turnover of 50 MEUR. "There is no doubt that this will have to change", resonated Vlaisavljevic. "In our company with a turnover of more than 50 MEUR there is no way to be called small."

Currently, besides EPS, the electricity in Serbia also produce "privileged producers" of which EPS as a public supplier must buy all produced electricity and at much higher prices than those at which it sells. It has to deal with small power plants that generate electricity from renewable sources - wind, water, Sun, bio-mass ... After all, these producers now privileged will become independent when expires their contract on privilege they enjoy, with equal treatment on the market.

Privileged production price of electricity from renewable sources, especially from Sun and wind, is logical because these power plants, considering the installed capacity, initially cost much more than conventional ones, and they are necessary because the rivers there are just how many there are, the coal there is less and less as much the crowd seemed big, nuclear energy is not very popular, while the sun shows no intention to stop shining or the wind to stop blowing, then there is not much choice. This is the reason why were established feed-in tariffs, in order that potential investors also could indulge in this venture.

On the other hand, the trouble with the wind and the sun is that they are not constant, because the wind blows and does not blow, and the sun shines only during the day when it's not cloudy, and the electricity production and consumption need to be in constant balance - how much is produced, so much must be spent, and when the wind blows and the windmills run, how much electricity it produces, somewhere else production must be reduced for so much. "So, our neighbors, Romanians, when east wind blows, switch off half off their power plant " Djerdap" and in that way replace the cheapest electricity by the most expensive", says Dragan Vlaisavljevic, Director of EPS for electricity trading.



Source; Serbia Energy/Vreme