

According to Aleksandar Antic, Minister of Mining and Energy, Serbian citizens should not fear the electricity price increase in the next three years.

However, expert public does not share the same opinion, and believes that non-adjusting electricity prices with realistic costs of Electric Power Industry of Serbia business operation cannot be opportune.

The statement by the Minister Antic can never be a guarantee that by the end of 2019, the price of electricity will not actually rise because, among other things, he said that there is an “obligation to monitor with the World Bank and the International Monetary Fund the implementation of financial consolidation plan, the overall relations on the market and that evaluations are being made and according to it decisions are reached”. In the analysis of business plan of the company until 2020, the Management Board of Electric Power Industry Serbia pointed out that with “the World Bank, the IMF and the Ministry of Energy it will analyze the movement of electricity market prices and, if it is necessary to raise the price it will be asked from the Energy Agency of RS to allow the price increase”.

Slobodan Ruzic, a former Deputy Minister of Energy, told for Danas that the statement of the Minister Antic is enforceable, but the question rises whether the implementation of such a decision would be good for the business interests of EPS.

- If one minister makes a promise, he owns all the mechanisms to actually keep it. However, considering that EPS needs cash inflow in order to function properly, and if it is known that the price of electricity in Serbia is lower than the realistic price, it is clear that such a method of reasoning cannot lead company “in a better position” - said Ruzic.

He adds that it is obvious that it is attempted to preserve social peace through the electricity pricing policy, which is not good for the functioning of the company.

- In other words, keeping the social peace through EPS business operation, in particular through pricing policy is not socially useful. In Serbia it should not be insisted on forming electricity market price. The market price does not automatically imply that it is the realistic price. Very often it is higher than it should be. Instead, the state should provide to EPS the realistic price of electricity. It is about that price that would cover operating costs including maintenance of the system and necessary investments in production capacities. It is only in this way that one can ensure the successful operation of the company and the smooth performance of business tasks. Keeping the price below the realistic level is counterproductive because it only “subsists” with no chance for any kind of business success - said Ruzic. Our interlocutor points out that providing the realistic price of electricity for EPS, which means that its increase should be allowed, implies that the state should come up with a serious social policy to protect the class of citizens whose income is not such as to be able to pay their bills.

Ljubodrag Savic, professor of the Faculty of Economics in Belgrade, told for Danas that he is not willing to believe in the statement made by the Minister Antic.

- It happened before that authorities say that there will be an increase in electricity price, and that then the price, for example, increases twice a year, with an explanation that international financial institutions requested the price increase. No one can guarantee that the same will not happen in the future. These days it has been discussed about personnel changes in the Serbian Government so I suppose that now ministers will try to make statements that would enable them to remain in their positions - says our source.

He adds that the low price of electricity in Serbia cannot guarantee for EPS the necessary investments in capacities, so it is in the interest of the state and consumers that the company has such price that would allow profitable operation.

- EPS, which operates successfully is good for the state because it would pay large sums in the state budget, and consumers would not have to worry whether they will have a stable electricity supply. Therefore, the market price of electricity should be allowed for EPS. However, this should be the last item that the state should implement in the restructuring of the company. First of all, it is necessary to set the professional and capable management at the head of the company that would know how to operate in the right way. Among other things, it should increase the collection, reduce losses and rationalize operations, which includes the release of employees. Having said that, I do not think about people who are involved in the process of electricity production, but to those in the administration employed mainly along party lines. Only when all this happens, the price of electricity should be increased. This does not mean that in the same time the state is not obliged to take care of the poorest citizens who have low incomes and to provide social programs that would allow them to pay electricity bills - says Savic.

Unrealistic price of electricity in addition to price increase

After the electricity price increase in Serbia that took place in October last year kilowatt-hour costs RSD 6.6 (EUR 0.05), and sources claim that this price of electricity is 30.3 percent lower than the realistic price. The expert public believes that the realistic price of electricity at this moment should be seven euro cents per kilowatt-hour, or RSD 8.6.

Otherwise, the price of electricity in Serbia is currently the cheapest in the region. For example, in Albania the electricity is by 18.7 per cent more expensive than in Serbia, in Bosnia and Herzegovina by 20 percent, in Macedonia by 21 percent, Bulgaria 38.7 percent, in Montenegro, 43.2 percent, and in Croatia 90.1 percent.