

## Serbia: Regional expansion perspectives of power utility EPS

**Categories :** [News Serbia Energy](#)

**Date :** August 17, 2015

The previous model of organization has resulted in much greater autonomy of the lower levels of management in EPS. New strategy plans higher form of centralization, primarily for the purpose of controlled implementation of uniform development strategy for EPS and greater cost control.

This is particularly important in conditions of relatively unbridled liberalization of the electricity market in Serbia. Serbia is a small market and the potential competitor for EPS can very easily “play” with the aim of collapsing the EPS itself. Therefore, it is necessary to raise the competitiveness of EPS. With the corporatization, the most important form of improving the competitiveness of EPS is its regional expansion in the regional market through strategic partnership or the acquisition of electric power industries in the region. The Republic of Srpska and Montenegro impose as natural partners in the first round. However, one should bear in mind the Electric Power Industry of Bosnia and Herzegovina, the Electric Power Industry of Herzeg Bosnia and the Electric Power Industry of Croatia as well.

Since 2001 the Serbian government has lost more by conducting the social policy through low electricity price, than it has acquired from the sale of all companies and banks, direct investments, international financial institutions (World Bank, MMF, etc.) and donors. It is estimated that only in the period since 2001, because of the social, rather than the economic price of electricity, at least 7.5 up to 20 billion euros has been lost. It is not bad to have this information in mind when every few months the discussion is initiated on the electricity price in Serbia, the necessary investments in our energy sector, sources and partners for financing of the necessary investments and finally the value of EPS and its potential privatization.

The regional connecting of electric power industries in the region would be the interim solution. The dilemma privatization or not, is not current for most public enterprises in Serbia until they are corporatized and until they resolve property-legal relations and answer the question – what is being privatized. So, an ordinary citizen when selling an apartment, and wanting to achieve the desired price, knows that the property must be registered, that the bills should be paid, as well as back taxes and the like.

Why would anyone buy shares of state-owned enterprises whose business decisions cannot be influenced on? Is it more likely that foreigners shall get to the minority package via investments? For example, in “Kolubara B” or TENT 3?

The sequence of moves must be the following – the simultaneous corporatization with a rapid transition to economic price of electricity. Liberalization in that, even a bit longer period, would be limited. That time would be used for a strategic alliance with the Electric Power Industry of the Republic of Srpska, so as to improve the competitiveness of both electric

power industries and better management of production potentials which are available. Only then should the options and the model of entering the stock market be considered. When it comes to EPS, it should be the initial public offer in order to gather additional resources without compromising the majority ownership of the state. Why would anyone buy shares? Because they bring him higher income than savings, government bonds, and carry less risk than investments in risky securities. In order for actions to provide such income, EPS would have to operate profitably. And in order to operate profitably, it would have to have a proper corporate management, cost management...

Without a doubt, the focus of the restructuring process should be the clarification of property relations between EPS and the state of Serbia, in accordance with the Laws of the Republic of Serbia, followed by the development strategy defining, and then also the reorganization of the system in accordance with the strategy and its status transformation from a public enterprise into a joint stock company, in which the state of Serbia is the shareholder. Simply, the corporatization, which aims for the state to become a responsible owner instead of a bad manager on the one hand, and for the management of EPS to be based on the principles of corporate governance on the other hand. The evaluation of property and the evaluation of equity (shares) are necessary for the purpose of full implementation of this procedure.