

# Serbia has been waiting smart meters for decades

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Electrical meters solve the problem of network losses, saving up to 40 million euros per year, but none has been delivered.

The contract on the purchase of nearly 210,000 electric meters with remote reading, worth 26.6 million euros, which Elektroprivreda Srbija signed two years ago with the French-Serbian consortium has expired, and EPS hasn't got delivery of any meter.

This was confirmed for Al Jazeera by the Chairman of the Supervisory Board of EPS Branko Kovačević, explaining that the implementation of the contract was stopped due to "pre-investigative activities carried out by the competent state authorities" in order to determine whether there was any misuse. In this case, the competent authority is the Ministry of Internal Affairs of Serbia.

"The entire process was is in revision, as everything was frozen. It was forbidden to work. Now, the permission has been given to continue working" said Kovačević, explaining that they received information that the pre-investigation activities were completed.

The already mentioned contract was supposed to be the first phase in the "business of the decade" - the process of replacing meters throughout Serbia, totaling about 3.3 million, as many as existing households. The value of the entire business is estimated at half a billion euros.

Network losses of tens of millions of euros

For Serbian citizens, this means that the announced modernization of the energy system which should guarantee more precise electricity consumption calculations, will be delayed, that is, the situation from the beginning of this year, when they received increased bills for electricity, justified by the "fault in the system", it could be repeated.

For EPS, this means it will pay longer for the meter reading time, which could be done remotely by the induction of the so-called smart meters, but it will still record current losses in electricity, currently 12 to 15 percent, which is measured by tens of millions of euros.

For domestic manufacturers of meters, this is just another confirmation that the tender for the procurement of the first itinerary of the meter, from the very start, was wrongly designed and realized.

Therefore, the Group of domestic producers of electrical and optical devices and electronics in the Serbian Chamber of Commerce recently contacted EPS first, and then, after they did not receive an answer, to the ministries of energy, trade and labor and social issues, asking for a new tender under conditions that will enable them to apply equally to the supply of

meters. With the previous tender, they claim, this was not the case.

Although in the the consortium, which has received the job, besides the famous French company "Atos", is also the company EWG, owned by the famous Serbian basketball player Dejan Bodiroga, the domestic smart meters manufactures have already claimed that the criteria were favoring foreign companies.

Unknown result of 'pre-investigative actions'

Their doubts were confirmed by the Anti-Corruption Council of the Government of Serbia, which recommended to its founder to review the qualification conditions for tenders for the procurement of smart meters, as they claimed of getting restrict competition.

Then Deputy Prime Minister and Minister of Construction, Transport and Infrastructure Zorana Mihajlovic announced that the relevant minister should report the irregularities report on the tender for the supply of meters to the Ministry of Internal Affairs.

Two and a half years later, there are still no meters, nor the results of "pre-investigative actions by the competent authorities". Only the director of EPS, Aleksandar Obradovic, who signed a contract for the supply of meters, has since then been removed from that position. The last thing heard about him since then is that he was appointed as adviser to Macedonian Prime Minister Zoran Zaev for economic issues.

Jelisaveta Vasilić from the Anti-Corruption Council says for Al-Jazeera that the body, after publishing its analysis of the tender for the procurement of smart meters, no longer received any information whether the police and the prosecution dealt with this case.

Domestic manufacturers reiterate that the delay in the realization of the tender from 2015 caused the scarcity of meters in EPS that is said to have been overcome by supplying about 40,000 meters in 2017 that met all the technical regulations and EPS criteria. By the end of the year, they say, EPS will deliver even more, based on two public procurements. That's why they are looking for a new tender.

The battle for a 'piece of the cake' of 500 million euros

However, according to Branko Kovačević, the chairman of the Supervisory Board of EPS, it's a greater probability of doing an annex to the contract with the selected bidder, the French-Serbian consortium.

"EPS has formed a commission to deal with this, because the technology has changed over the past two years, and now we have to negotiate again with the selected bidder that the technical conditions change slightly, and move the deadlines. Only if there is no agreement, it is possible to terminate the contract and a issue a new tender," explains Kovačević.

Although domestic producers are afraid that the chose of a foreign bidder for the implementation of the first phase of replacing meters in Serbia, would mean that the largest part of this cake worth EUR 500 million would be given to foreigners, Kovačević claims that

this will not happen.

"Absolutely not. It's important for us to include domestic economy, that's money that remains here. These small and medium enterprises should work for large domestic companies. This will be a job that will last five to seven years and this contract only marked the first phase. There will be new tenders and there should be good conditions given so that domestic producers can participate, and not be subcontractors.", explains Kovačević.

It is unclear then how it could have happened that the conditions for this first tender are practically discriminating towards domestic producers, they claim.

### Contested tender criteria

For example, EPS has set a financial condition for participation in the tender for the amount of 75 million euros of annual revenue for the last five years for the bidder and fifteen million euros for a member of the consortium. In doing so, the bidder can realize the requested revenue not from the sale of goods that are purchased but from other items, which disable small and medium enterprises around the world, as well as all domestic companies.

Having in mind that a group of 13 domestic meter manufacturers has a total annual turnover of 30 million euros, it is clear that under such conditions they could not compete, says the president of the group Jovan Vujasinović.

EPS was then answering that the tender criteria largely depended on the lender of the deal - in this case, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank. More precisely, the EBRD has set a condition that relates to annual revenue, while EPS has managed to reduce this criteria.

However, the Council has announced that foreign banks only insist on a regular tender procedure and leave the ordering party EPS to determine what it buys and under what conditions. This was confirmed to them, when they contacted the EBRD and received a reply that this bank only verifies the tender terms determined by the client.

Jovan Vujasinović from the Group of domestic producers also states that foreign lenders do not set such conditions, which, says, is confirmed by the tender announced by EPS this year for the purchase of 20,000 meters, which was loaned by the World Bank.

### Serbia should follow the example of France

"A consortium of domestic producers won this tender. This proved that in an equal match we can deal with foreign competition and win", says Vujasinović.

The statement that 20,000 meters were ten times smaller than the initial request at the controversial tender, and that the question whether they have the capacity to produce a larger quantity of meters in a certain period is responding to engage additional capacities.

"It is estimated that the process of replacing all meters in Serbia should last for seven years.

All our resources would then be engaged in this business. We would adjust. There is also work for production and installation on the ground. All countries do this for a period of five to 10 years, depending on the quantity of meters to be replaced.", says Vujasinović.

According to him, Serbia and EPS should follow the example of France, whose prime minister, according to his statement from few years ago, said that 80 percent of the deal would be entrusted to the domestic companies.

If such a thing were applied in Serbia, Vujasinović claims, this would have the effect of a foreign direct investment of 350 million euros and would mean the opening of 1,500 new jobs.

Smart meters save hundreds of millions

The replacement of meters, apart from the possibility of employing domestic companies, has other benefits - Branko Kovačević points out.

"Smart meters also solve the problem of network losses. When the losses are only 2% lower, savings are about 30-40 million euros annually, and EPS has 12-15% of losses. This means that with the solution of this problem, savings of 200-300 million euros would be achieved, which in large part covers the costs of replacing the meter.", says Kovačević.

He also said that the EBRD loan for the purchase of meters was not withdrawn, so that EPS did not have any additional costs because the contract has not yet been realized, nor has the consortium that got the job, been paid out.

Replacement of meters is also part of the process of harmonization with EU regulations, more precisely with the Energy Efficiency Directive, which provides that by 2020, 80% of consumers in the Member States will have smart meters.