



BOSNIA AND HERZEGOVINA

STATE ELECTRICITY REGULATORY COMMISSION

REPORT ON ACTIVITIES
OF THE STATE ELECTRICITY REGULATORY COMMISSION
IN 2011



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Tuzla, December 2011

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1. INTRODUCTION

The activities in the energy sector of Bosnia and Herzegovina (BIH) that marked 2011 refer to acceptance of the European energy market principles. Security of supply, competition and sustainability are a must in the implementation of the new European Union energy acquis on the internal energy market.

As part of these activities, with a decision of the State Electricity Regulatory Commission, the previously used tariffication concept was dropped and the text of the applicable *Tariff Pricing Methodology for Services of Electricity Transmission, Operation of the Independent System Operator and Ancillary Services* has been harmonized with Regulation 1228/2003/EC on conditions for access to the network for cross-border electricity trade. This change of the legal and regulatory framework is the formal fulfillment of yet another obligation of BIH regarding the implementation of the acquis and achievement of the Energy Community common goals. Unfortunately, the new regulatory approach has not been implemented yet as a decision of tariffs for the services of electricity transmission and operation of an independent system operator has not been adopted.

During this reporting period SERC has used its legally extended and amended competences to develop a full regulatory framework for supply of customers in Brčko District of Bosnia and Herzegovina with electricity, which was previously performed under conditions of incomplete regulation. The granting of the relevant license to the Public Utility “Komunalno Brčko” enables the performance of the activities of electricity distribution and supply in the single BIH power system. Customers are provided with free access to the electricity network and electricity supply under equal conditions. With the adoption of a number of rules, the area of the District not only is integrated into the single regulatory framework and electricity market of BIH but is also a leader when it comes to the compliance of the market environment with the requirements of European practice due to solutions concerning the exercise of guaranteed rights of specific categories of customers to a free choice of supplier.

The BIH power system continued to operate steadily throughout 2011, although under much harder conditions than last year. Unfavorable hydrological conditions during the whole year considerably reduced the scope of electricity generated by hydro power plants (4,326 GWh or 46% less than last year). Although a historical record in generation by thermal power plants of 9,588 GWh partially made up for these indicators, a total generation of 14,049 GWh was lower by some 2,000 GWh (13%).

Total generation, the highest ever, reached 12,593 GWh, i.e., it was 2.7% higher than last year. Customers connected to the

The State Electricity Regulatory Commission is an independent institution of Bosnia and Herzegovina, which acts in accordance with the principles of objectivity, transparency and equality, and has jurisdiction over and responsibility for transmission of electricity, transmission system operation and international trade in electricity, as well as generation, distribution and supply of electricity for customers in Brčko District BIH.

SERC is a non-profit institution and is financed by regulatory fees, which are paid by the licensed entities.

transmission and distribution networks took over 2,758 GWh (higher by 9.8% than in 2010) and 9,475 GWh (higher by 0.8%) respectively. Total sale to BIH customers increased by 3.4% and amounted to 11,008 GWh. In 2011, due to reduced generation, electricity export decreased significantly. A total of 2,586 GWh was exported, which is only a half of last year's export volume. Registered electricity transit through the BIH transmission network amounted to 2,329 GWh, which is a 15% reduction in comparison to last year.

The BIH retail market is still characterized by the domination of public power utilities, which traditionally supply 1,459,624 customers, each in its own (*de facto* but not *de jure*) exclusive geographic area.

The Independent System Operator in BIH realized expected revenues and expenditures. "Elektroprijenos/Elektroprenos BIH" (the Company for Transmission of Electric Power) operated in a stable and profitable manner at the level of its standard annual realization but continuously with an inefficient management structure. Notwithstanding SERC's insistence, the management and the Steering Board failed to adopt decisions that are under their jurisdiction, not under the jurisdiction of the Assembly of Shareholders of the Company. For example, the Company irrationally still fails to make additional financial revenues by making a fixed term deposit with the up-to-now accumulated funds deposited in its accounts and prevents access to meters in the Operational Area Banja Luka as well in one part of international transmission lines. Inadequate access to meters causes a lowered quality of power system management, makes the balancing of BIH system within the SHB (Slovenia-Croatia-BIH) control block harder and forces the system operator to use a set of data of lower quality when billing ancillary services.

Before the relevant policy makers and owners of the Company is the difficult and unpostponable task to ensure functional operation of the Company by making precise requirements and clear messages for all, first for the Management and the Steering Board, which are the most responsible for further prosperity and development of the Company, in the interest of shareholders and all users of the BIH power system.

The SERC Report on Activities in 2011 gives an overview of objectives of several programs and projects of different institutions, in particular, the European Commission and the Energy Community, which support the fulfillment of obligations by the BIH energy sector.

The auditing report for yet another business year indicates that SERC disposes of its assets rationally following recommendations and requirements of the relevant working bodies and both Houses of the Parliamentary Assembly of BIH, showing their use and standing in an objective and transparent manner.

2. COMPOSITION AND ORGANIZATION OF WORK OF THE STATE REGULATORY COMMISSION

SERC was established by the Parliamentary Assembly of Bosnia and Herzegovina by adoption of the Act on Transmission of Electric Power, Regulator and System Operator of BIH, and appointing Members of the Commission.

Members of the Commission from the Federation of Bosnia and Herzegovina are:

- Mr. Mirsad Salkić, with his second five-year term (from December 30, 2009 to December 29, 2014) and
- Mr. Nikola Pejić, with a five-year term (from September 25, 2007 to September 24, 2012).

The Member of the Commission from the Republika Srpska is

- Mr. Milorad Tuševljak, with a five-year term (from August 10, 2011 to August 9, 2016).

Until the election of Mr. Tuševljak, the function of the Member of the Commission was performed by Mr. Vladimir Dokić, MA.

Since the establishment of SERC, the Members of the Commission rotate in the position of the Chairman equally on an annual basis. Until June 30, 2011, this function was performed by Mr. Mirsad Salkić. Mr. Nikola Pejić is the current Chairman of the Commission until June 30, 2012.

The work of SERC is organized within four departments:

- Tariff and Market Department,
- Licensing and Technical Affairs Department,
- Legal Department,
- Financial and Administrative Department.



FLORENCE SCHOOL OF REGULATION



SERC follows the requirements of regulatory practice by using different ways to improve its knowledge and experience, i.e., by strengthening its professional capacities. The improvement of knowledge is achieved by participation in different professional consultations, conferences and topical seminars, in the country and abroad, and by distance e-learning. Training programs of the Energy Regulators Regional Association (ERRA) and Florence School of Regulation (FSR) are of particular use. A continuous contribution to professional training is also provided by special workshops organized by the Energy Community Secretariat with a specific segment of professional training in 20011, referring to the program of the Diplomatic Academy of Vienna, which, in cooperation with the Energy Community Institutions, organized a well-received training on diplomacy in the energy sector.

SERC shall continue to develop human resources through well-established as well as new training methods and the use of modern technical equipment. The justification of this approach

The Report on Activities of the State Electricity Regulatory Commission in 2010 was considered at the sessions of both Houses of the Parliamentary Assembly of Bosnia and Herzegovina,

- *at the 7th session of the House of Representatives, held on July 27, 2011*
- *and, at the 5th session of the House of Peoples held on September 14, 2011.*

has been confirmed by professional knowledge and experience in regulatory practice acquired up to now, which is ever more successfully presented at regional international professional gatherings by the staff with improved information, communication and presentation skills.

In addition to the professional training of its employees, SERC also informed of and shared experiences in the regulatory practice with regulated companies' employees in an adequate manner, and participated in professional training of staff of other regulatory authorities in the region.

In the reporting period only technically defective or written-off and functionally obsolete equipment was replaced, which was purchased at more favorable prices than planned. The use of some less advanced computer programs was given up, with the aim of reducing SERC expenses,.

Large volumes of different documents are created as a result of SERC activities. The number of documents and information is constantly increasing. Keeping, evaluation, extraction and protection of the archive material are organized by SERC, as its creator, under the professional supervision of the Archive of Bosnia and Herzegovina. This cooperation enables these processes to develop in line with professional principles, experiences and recommendations and through mutual familiarization of the two institutions.

3. KEY ACTIVITIES

During 2011, the State Electricity Regulatory Commission held 17 regular sessions, 27 internal meetings and organized six public hearings, of which three were formal hearings.

In the reporting period, the Commission adopted or approved several documents. This Report presents the most important ones, which, as a rule, were adopted through the process of public hearings.

Transparency toward the public through consultation and communication with all interested professionals, as well as the wider public, is the fundamental orientation of the Commission, which is conducive to checking the suitability of proposed solutions before their final adoption. The practice of the mutual exchange of collected public comments in the same or similar procedures is applied by all three electricity regulatory authorities in Bosnia and Herzegovina.

Documents under regulatory competencies are reviewed and determined in regular sessions, in accordance with the authorities prescribed by the law; issues and documents of an organizational and administrative nature are reviewed and adopted in internal meetings.

With a view to soliciting comments of interested parties and members of the public on rules and regulations, or on any other document, SERC organizes general hearings; technical hearings, which are organized to resolve technical issues during the proceedings, e.g., the processing of procedural or essential issues; and formal hearings, which are organized to establish decisive facts, based on which SERC may resolve certain applications or disputes.

Regular sessions and all types of public hearings are open to the public.

3.1 SERC Rules

Decision on Changes to the Tariff Pricing Methodology for Services of Electricity Transmission, Operation of the Independent System Operator and Ancillary Services

The Tariff Pricing Methodology for Services of Electricity Transmission, Operation of the Independent System Operator and Ancillary Services, adopted in June 2005, enables the setting of prices of services for utilization of a natural monopoly in a fair manner and at the same time ensures revenues for regulated companies, needed for their normal operation.

Taking into account the European regulation and practice in the field of tariffication of services provided by national transmission system operators, SERC concluded that conditions were created for changes to the concept of tariffication of these services pursuant to provisions prescribed by Regulation 1228/2003/EC of the European Parliament and of the Council of June 26, 2005 on conditions for access to the network for cross-border electricity trade. With this aim, at the session held on September 6, 2011, SERC adopted a *Decision on Changes to the Tariff Pricing Methodology for Services of Electricity Transmission, Operation of the Independent System Operator and Ancillary Services*. While adopting this Decision, SERC was aware of the provisions of Regulation 714/2009/EZ of the European Parliament and of the Council of June 13, 2009, on conditions for access to the network for cross-border exchanges in electricity, as well as the provisions of the Guidelines of the European Commission 838/2010 of September 23, 2010,

relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging.

The Energy Community Secretariat welcomed the adoption of this Decision recognizing the readiness of BIH institutions to keep up with the implementation of the Treaty Establishing the Energy Community.

After several amendments to the Methodology, SERC prepared a Revised Text of this document to make its application easier and published it in the “Official gazette of BIH”, number 93/11.

Design of the regulatory framework for supply of customers in Brčko District of Bosnia and Herzegovina with electricity

With amendments to the Law on Transmission of Electric Power, Regulator and System Operator of BIH, and several other laws in 2009 and 2010, the national regulator was entrusted with regulation of the supply of customers in Brčko District of Bosnia and Herzegovina with electricity, as a separate, previously partially regulated part of the single BIH market.

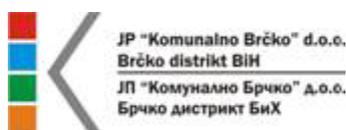
This created the obligation of the State Electricity Regulatory Commission to develop adequate legislation for the activities of generation, distribution and supply of electricity in this part of the BIH electricity market. This was done by the State Electricity Regulatory Commission first on a temporary basis at the beginning of 2011 by adopting rules on the procedure for issuance of temporary licenses for performance of these activities and the method of setting temporary tariffs for non-eligible customers in Brčko District of Bosnia and Herzegovina.

The State Electricity Regulatory Commission completed regulation in the District power sector by the adoption of permanent rules at the end of 2011.

Rules on issuance of temporary licenses for the activities of electricity distribution and supply in Brčko District of Bosnia and Herzegovina

These Rules define the procedure for the issuance of temporary licenses for the activities of electricity distribution and supply to the existing legal person seated in Brčko performing the public service of distribution and supply of electricity in Brčko District of Bosnia and Herzegovina.

Based on these Rules, a temporary license was granted to the Public Utility “Komunalno Brčko”.



Rules on the method of setting temporary tariff rates for non-eligible electricity customers in Brčko District of Bosnia and Herzegovina

Pursuant to the aforementioned expanded competencies pertaining to the activities of generation, distribution and supply of customers in Brčko District of Bosnia and Herzegovina with electricity, *Rules on the method of setting temporary tariff rates for non-eligible electricity customers in Brčko District of Bosnia and Herzegovina* were adopted. This document specified the approach to setting a temporary tariff until the adoption of a methodology regulating tariff setting for distribution system users and tariffs for non-eligible customers in Brčko District BIH.

Methodology for development of tariffs for services of electricity distribution in Brčko District of Bosnia and Herzegovina and Decision on supply of eligible customers with electricity in Brčko District of Bosnia and Herzegovina

After temporary tariffs had been set, SERC started to develop documents regulating tariffs for the use of the distribution network and tariffs for the supply of customers in the category of households in the area of Brčko District BIH. Unlike other customers and pursuant to the provisions of the Treaty Establishing the Energy Community, customers in the category of households enter the electricity market only as of January 1, 2015, and by then they will be supplied under the regulated tariff regime.

After the proceedings were conducted and the public hearing was held on October 26, 2011, the *Methodology for development of tariffs for services of electricity distribution in Brčko District of Bosnia and Herzegovina* and *Decision on supply of eligible customers with electricity in Brčko District of Bosnia and Herzegovina* were adopted.

This Decision enables the introduction and design of the electricity market in the area of Brčko District as well, thus giving the same rights and possibilities to electricity customers in this area as to electricity customers in the rest of Bosnia and Herzegovina. Furthermore, the Decision is a step forward when it comes to the creation of an environment for unhindered competition of market players, all with the aim to provide electricity customers with maximum quality of services at minimum prices.

3.2 Documents Approved by SERC

Indicative Generation Development Plan for Period 2012-2021

An Indicative Generation Development Plan is developed for a ten-year period every year. The goal of the plan is to inform the current and future users of the needs and existing projects for construction of new generation capacities. At the same time, this plan is used as one of the bases for the development of a *Long-Term Transmission Network Development Plan* in Bosnia and Herzegovina, which covers the issue of new cross-border lines as well and which should also be developed every year covering a ten-year period.

The main objective of the Indicative Generation Development Plan is to analyze the balance of capacity and energy in the transmission network for the following ten years, primarily to satisfy domestic needs. The development of this document is also in the function of fulfilling obligations pursuant to the Operational Manual of the European Network of Transmission System Operators for Electricity – ENTSO-E (formerly UCTE). The Independent System operator in BIH, as all other system operators within ENTSO-E, is obligated to submit on a biannual basis as part of the European ten-year network development plan (TYNDP) its transmission network development plans, which are based on consumption, generation (including new sources as well) and planned reinforcements of the transmission network and interconnectors. These activities presume and imply full coordination at the regional level with the analysis of potential congestion in the internal network and cross-border lines.

Relying on the experience acquired during preparation of the five previous Indicative Plans for development of the Indicative Generation Development Plan for the Period 2012-2021, ISO BIH ensured qualitative input data that not only expanded the plan for one more year, but also updated and improved it. A previously conducted public hearing on the Indicative Plan confirmed the matching of provided consumption forecasts, new generation capacities and capacity and energy balances in the transmission network.

The balances of capacity and energy for the following ten years lead to the conclusion that it is necessary to start the realization of the planned dynamics of construction of new generation capacities as soon as possible. If deadlines for commissioning of new generation capacities are prolonged again, there is a realistic possibility for Bosnia and Herzegovina to face electricity imports within the planning period.

While approving the plan, once again SERC took note of the crucial importance of the proactive engagement of all entities in planning, as well as ensuring quality data for the feasibility of this type of plan.

At the session held on August 9, 2011, the State Electricity Regulatory Commission adopted a Decision on approval of the Indicative Generation Development Plan for the Period 2012-2021.

Amendments to Grid Code

A proposal of an amended Grid Code was prepared by a joint commission of ISO BIH and the Transmission Company, which in accordance with the Rules of technical committee operation, was subsequently considered by a Technical Committee, comprised of several members including representatives of the power utilities and licensed electricity traders.

The amended Grid Code, which was approved by SERC at the session of May 11, 2011, did not undergo any substantial changes, but defined the rights and obligations of ISO BIH, Transmission Company and transmission network users in a clearer and more precise manner.

In the new text of the Grid Code:

- The terminology was harmonized with the ENTSO-E terminology and the new Operational Manual,
- The obligations of users concerning the submission of planning data for new facilities were simplified,
- The criteria for the inclusion of new generation capacities in the balance were defined more precisely,
- A completely new chapter on wind power plans was added,
- Operational procedures were adjusted to the actual conditions.

As ENTSO-E initiated in 2011 activities on the adoption of grid codes pertaining to connection of generators, distributors and industrial customers, as well as the standards of transmission network planning, the adoption of which is envisaged during 2012, ISO BIH, as an ENTSO-E member, is expected to ensure the compliance of the BIH Grid Code with the results of the aforementioned activities.

Documents defining rules of operation of the Public Utility Company “Komunalno Brčko”

As part of the obligations under several amended laws, on December 8, 2011, the State Electricity Regulatory Commission approved the application of three documents regulating the field of electricity distribution and supply in Brčko District BIH, prepared by the Public Utility Company “Komunalno Brčko” as follows:

- General conditions for electricity supply,
- Distribution grid code, and
- Methodology for setting distribution network connection charges in Brčko District BIH.

3.3 Licensing Proceedings

In January 2011, the Public Utility Company “Komunalno Brčko” d.o.o. Brčko District BIH was granted a temporary license to perform the activities of electricity distribution and supply in the area of Brčko District BIH. With a new SERC decision, the license was harmonized with the obligations of the licensee, which were established later, to perform the function of default supplier and supplier of last resort (*according to the grounds of the Decision on supply of eligible customers with electricity in Brčko District of Bosnia and Herzegovina*).

During 2011, due to the expiration of the term of the previously issued *temporary* two-year licenses, proceedings were conducted and *new* five-year licenses were granted for the activity of international trade to the following holders of previous temporary licenses:

- “KORLEA” d.o.o. Mostar (January 2011),
- “Alpiq Energija BH” d.o.o. Sarajevo (May 2011).

An application of “LTS” d.o.o. Banja Luka for issuance of a temporary license for international trading was rejected, as the applicant was not able to provide the Regulator with proof of the value of registered capital of the company in the amount of at least one million.

Upon applications of “ČEZ BIH” d.o.o. Sarajevo and “Repower Adria” d.o.o. Sarajevo, the proceedings for processing of the applications for issuance of licenses for international trading are in progress.

As licensees for the activity of international trade in electricity, the following entities also have been registered: JP “Elektroprivreda Hrvatske zajednice Herceg Bosne” d.d. Mostar, JP “Elektroprivreda Bosne i Hercegovine” d.d. – Sarajevo, MH “Elektroprivreda Republike Srpske” Parent Company, a.d. Trebinje, “Energy Financing Team” d.o.o. Trebinje, EZPADA d.o.o. Čapljina, “GEN-I” d.o.o. Sarajevo, “Rudnap” d.o.o. Banja Luka, “Interenergo” d.o.o. Sarajevo, “HSE BH” d.o.o. Sarajevo te “ALUMINIJ” d.d. Mostar i “B.S.I.” d.o.o. Jajce (import of electricity for self-consumption).

It should be recalled that the “Independent System Operator in Bosnia and Herzegovina” and “Elektroprijenos/Elektroprenos Bosne i Hercegovine” a.d. Banja Luka are also among the licensed entities, with their licenses being granted in 2007 for the performance of the activities of an independent system operator and transmission of electricity respectively.

Every year, including this one, the Company “Elektroprijenos/Elektroprenos Bosne i Hercegovine” a.d. Banja Luka updates and reports changes in Overviews of facilities used by the Company for performance of the activity of electricity transmission as well as Overviews of transmission lines which are not owned by the Transmission Company and are not in the function of electricity transmission, on which SERC has made relevant conclusions.

3.4 Monitoring of Activities of Licensed Entities

Throughout the year, SERC monitors compliance of the licensed entities’ operations with the licensing conditions, first by monitoring regulated activities performed by ISO and “Elektroprijenos/Elektroprenos BiH”. Monitoring of activities is performed by the analysis of regular and special reports submitted by the licensed entities as well as by announced or unannounced visits to license holders. License holders submit annual, semi-annual, monthly and daily reports on individual activities, of a financial, as well as a technical and organizational character. Reports of license holders on contingency events in the system are also available.

Visits of SERC experts to regulated entities enable direct insight into their documents and activities, as well as more complex analysis of the operation and the financial position of the entity from the aspect of application of approved tariffs.

This reporting year has also been full of problems concerning the functioning of the Transmission Company. Disagreements among members of both the management and the Steering Board were the reason why the State Electricity Regulatory Commission repeatedly expressed and emphasized its concerns over the situation and an urgent need to overcome the stalemate in the operation of the Company to the BiH Ministry of Foreign Trade and Economic Relations – the policy maker in respect of the transmission system in Bosnia and Herzegovina, as well as the entity governments – owners and members of the Assembly of Shareholders of “Elektroprijenos/Elektroprenos BiH”.

Unfortunately, to the detriment of the BiH power sector, the discrepancy in general principles of investments in the transmission network in the two entities, in the number and structure of employees in the whole Company, in the decision-

making procedure of the Management and the Steering Board, in the Company's policy making, the issue of revision of the Statute and other internal acts of the Company and the issue of selecting the leading personnel of the management and the Steering Board of the Company remain the primary issues.

SERC believes that the road to resolving these problems is paved to a large extent with the harmonization of the basic principles for further operation and functioning of the Transmission Company, which were agreed in the meeting of both Entities' Prime Ministers in the capacity of company owners, held on November 30, 2011. It is expected that with the verification of agreed principles in a meeting of the Assembly of Shareholders, which is announced for the beginning of 2012, the operation of the Company will be significantly improved and freed from numerous problems in its functioning.

3.5 Technical Aspect of Transmission System Operation

Operation of the BIH power system was stable throughout the year. All system users were able to work under optimum conditions in accordance with the defined quality standards. Generators were able to realize the planned generation balance, while licensed electricity traders were able to perform all transactions.

The periods March – May and September – October, 2011, were characterized by the occurrence of high voltage levels in the 220 and 400 kV network. The voltage levels were regulated by changing a transmission ratio of network transformers, changing the working regimes of individual power plants, and by disconnecting transmission lines in agreement with neighboring operators.

At the end of 2011, pumped-storage HPP Čapljina started a regular pumping regime during the night hours.

A newly built substation TS Sarajevo 11 with related connection lines was put into operation, and a transmission line 110 kV Bugojno – Kupres was put into operation at nominal voltage (it was previously used at 20 kV voltage). Newly built 110 kV transmission lines Livno – Tomislavgrad and Prozor/Rama – Tomislavgrad were put into trial operation.

In terms of hydrology, the second half of 2011 was very dry with low inflows, which caused substantial emptying of storage reservoirs. As mentioned in the Introduction, this had a negative impact on generation of electricity by hydropower plants.

The quality of operation of the power system is monitored by analyzing the Transmission Company's data on technical aspects of transmission system operation, which are presented through indices of continuity of customer supply: SAIFI, SAIDI and ENS.

SAIFI (System Average Interruption Frequency Index) indicates the average number of interruptions per customer during a year.

SAIDI index (System Average Interruption Duration Index) indicates the average interruption duration for each customer in minutes per year.

ENS - Energy Not Supplied

Table 1: SAIFI and SAIDI for the transmission network

	2008	2009	2010	2011
SAIFI Planned interruptions	2.49	1.89	2.06	0.90
SAIFI Unplanned interruptions	1.58	1.73	1.00	0.94
SAIFI <i>Total</i>	4.07	3.62	3.06	1.84
SAIDI Planned interruptions (min/customer)	503.58	324.46	213.07	142.69
SAIDI Unplanned interruptions (min/customer)	103.03	77.14	94.17	52.00
SAIDI <i>Total (min/customer)</i>	606.60	401.6	307.24	194.69

Table 2: SAIFI and SAIDI including outages of MV feeders caused by interruptions in the distribution network

	2008	2009	2010	2011
SAIFI Planned interruptions	6.18	6.16	7.08	4.93
SAIFI Unplanned interruptions	11.99	11.85	10.04	9.07
SAIFI <i>Total</i>	18.17	18.01	17.12	14.00
SAIDI Planned interruptions (min/customer)	847.61	810.02	533.78	516.17
SAIDI Unplanned interruptions (min/customer)	877.17	661.66	742.87	459.32
SAIDI <i>Total (min/customer)</i>	1,724.78	1,471.68	1,276.65	975.49

SAIFI and SAIDI indices are obtained by monitoring of the number and duration of interruptions in TRANSCO's facilities resulting in supply interruptions for customers directly connected to the transmission network and/or supply interruptions in middle voltage feeders exceeding three minutes.

Tables 1 and 2 show SAIFI and SAIDI indices for the past four years. Table 1 includes only interruptions caused by events in the network under TRANSCO jurisdiction, while Table 2 includes also interruptions in MV feeders in TRANSCO substations caused by events in the distribution network.

Indices are considerably less favorable in Table 2, due to the widespread connections and the size of the distribution network which, in practice, is more inclined to different types of outages.

Data on ENS (*Energy-Not-Supplied*) due to unplanned supply interruptions (ENS_{unpl}), as well on ENS due to planned interruptions (ENS_{pl}) in the BIH power system, in the period from 2008 to 2011 are provided in Table 3.

Separately from "Elektroprijenos/Elektroprenos BIH", similar indices are gathered by all companies performing the activity of distribution at distribution level, that is, at voltage levels of 35, 20 and 10 kV.

Table 3. Energy-Not-Supplied due to interruptions in the transmission network

	2008		2009		2010		2011	
	MWh	min	MWh	min	MWh	min	MWh	min
ENS _{unpl}	1,526.60	17,642	1,570.86	17,683	1,340.79	22,865	906.80	14,593
ENS _{pl}	2,991.66	40,241	2,252.23	35,225	2,042.28	33,842	2,106.92	36,032
Total	4,518.26	57,883	3,823.09	52,908	3,383.07	56,707	3,013.72	50,625

Table 4: Average Interrupted Time in HV transmission network by month in 2011 (min)

Month	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
AIT	0.7698	0.6631	1.9833	10.9127	8.3742	10.6196	13.6533	4.2118	17.9519	15.3561	5.7561	6.4662

As of the beginning of 2011, “Elektroprijenos/Elektroprenos BIH” started to process one more index of continuity of supply, i.e., average interruption duration in the high voltage transmission network – AIT (*Average Interrupted Time*), the duration of which expressed in minutes in 2011 is provided in Table 4.

3.6 Tariff Proceedings

Tariffs for Electricity Transmission Services

The intention of the tariff proceedings for setting of tariffs for electricity transmission services, which started at SERC’s initiative with a Conclusion on November 8, 2011, was to implement the concept of charging transmission services, which was adopted with the amendments to the Methodology which were created pursuant to Regulation 1228/2003/EC of the European Parliament and of the Council of June 26, 2005, on conditions for access to the network for cross-border electricity trade, which is binding for BIH under the Treaty Establishing the Energy Community.

The tariff proceedings were conducted, applying all procedures as laid down by SERC rules and regulations. Although all activities in the tariff proceedings were conducted, and notwithstanding a high level of agreement on the key elements and their values for setting of the transmission tariff, the Commissioners could not reach a unanimous decision on the revenue requirement of the Transmission Company, that is, on the tariff for electricity transmission services. Thus, the tariff set in April 2010 continues to apply.

However, the remaining differences in the Commissioners’ positions and a must for all applicable tariffs to be in compliance

with the binding European regulation concerning conditions for access to the network and cross-border electricity trade, create the grounds and room for the unification of the Commissioners' positions and a new attempt to set tariffs for the transmission service in 2012.

Tariffs for ISO Operation and Ancillary Services

The tariff application for approval of a tariff for the operation of an independent system operator and ancillary services is a regular legal obligation of ISO BIH.

Within these tariff proceedings, no agreement was reached on the date of entry into force of the new tariff, although the Commissioners agreed on all key elements and their values for setting tariffs for the operation of an independent system operator. Thus, the tariff set in April 2010 continues to apply in this case as well. It can be expected that the new tariff for ISO operation will be set simultaneously with the adoption of a decision on the tariff for transmission services.

Alongside the tariff proceedings for ISO BIH operation, the tariff proceedings for ancillary services were also conducted.

Ancillary services are an exceptionally complex and an important factor of safety in operation of the power system. The current practice of the ancillary service system is accompanied by a range of difficulties which are the result of complex and undefined relationships among the key entities in the power sector. The inefficiency of the ancillary service system is also enhanced by a lack of or non-compliance with nominations by the power utilities. Due to the fact that data on all metering values required to precisely determine energy values are non-existent or are not available, the power utilities in BIH disputed several times the monthly billing conducted by ISO BIH.

Taking into account all specificities and the overall situation and relations in the power sector of Bosnia and Herzegovina, it was concluded that it was neither realistic nor possible to introduce new elements into the model of ancillary services (energy in secondary regulation, negative secondary and tertiary regulation and penalizing).

By setting tariffs for each ancillary service individually, SERC confirmed yet again the obligations of all entities to improve the system of ancillary services.

In 2012, the State Electricity Regulatory Commission is planning to develop a new model of ancillary services, that is, system services based on market principles.

Tariffs for Customers in Brčko District BIH

- ***Decision on temporary tariff rates for non-eligible electricity customers in Brčko District of Bosnia and Herzegovina (adopted on January 27, 2011)***

With the SERC Decision of January 2011, in accordance with the *Rules on the method of setting temporary tariff rates for non-eligible electricity customers in Brčko District of Bosnia and Herzegovina* until the adoption of the Methodology (in October 2011), which would enable this on a permanent basis, temporary tariff rates for non-eligible customers were set, in accordance with which customers were supplied pursuant to decisions of the competent authorities of Brčko District BIH before the setting of tariffs was transferred to the SERC competence.

- ***Decision on tariff rates for electricity distribution services in Brčko District of Bosnia and Herzegovina***
- ***Decision on tariff rates for non-eligible electricity customers in the category of households in Brčko District of Bosnia and Herzegovina***
- ***Decision on determining electricity purchase cost of default supplier in Brčko District of Bosnia and Herzegovina***

Pursuant to the newly adopted *Methodology for development of tariffs for services of electricity distribution in Brčko District of Bosnia and Herzegovina*, and upon an application of JP “Komunalno Brčko” and in the regular tariff proceedings, these three decisions (in December 2011) formally and practically concluded a temporary regime for setting the annual revenue requirement of JP “Komunalno Brčko” for the activities of electricity distribution and supply of customers in Brčko District BIH with electricity.

In summary, average end customer prices in the area of Brčko District have been kept at the same level with some smaller adjustments of tariffs per specific tariff elements, that is, in specific electricity consumption categories.

3.7 Electricity Market

Power Indicators

Unlike 2010, which was the year of record indicators, 2011 turned out to be exceptionally difficult for the power sector. An overview of power balance volumes realized in 2011 is provided in Figure 1.

The whole year was characterized by unfavorable hydrological conditions, caused by a minimum level of precipitation which resulted in significantly reduced electricity generation by hydropower plants. Only 4,326 GWh was produced or 46% less compared to last year. Although thermal power plants increased generation by 22% and reached a historic record in generation of 9,588 GWh, total generation was by some 2,000 GWh lower, which is 13% less than in 2010. The share of hydro generation dropped to 31% in 2011 from 50% in 2010. The percentage share, that is, the break-down of electricity generation in 2011 is provided in Figure 2.

Figure 1. Balance volumes realized in 2011 (GWh)

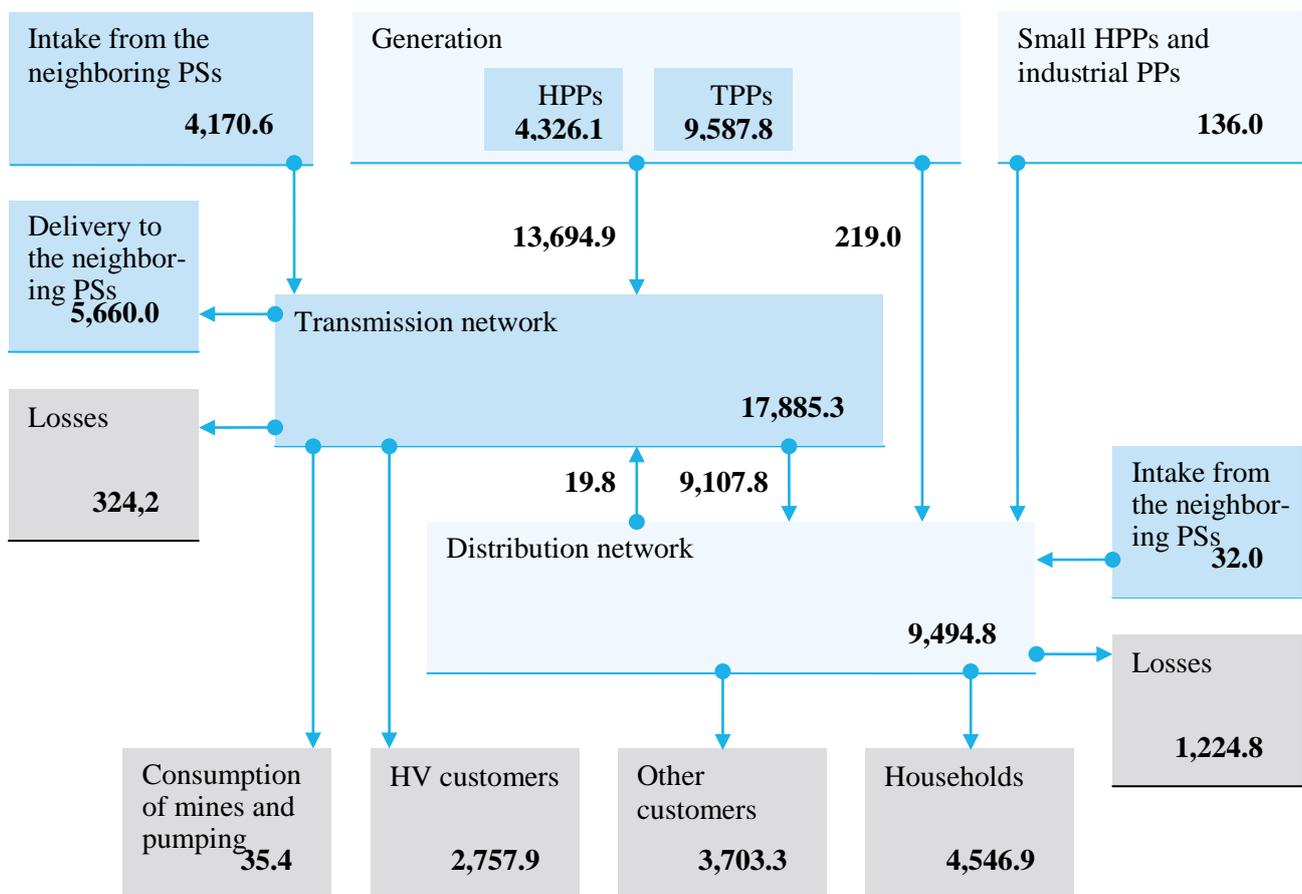
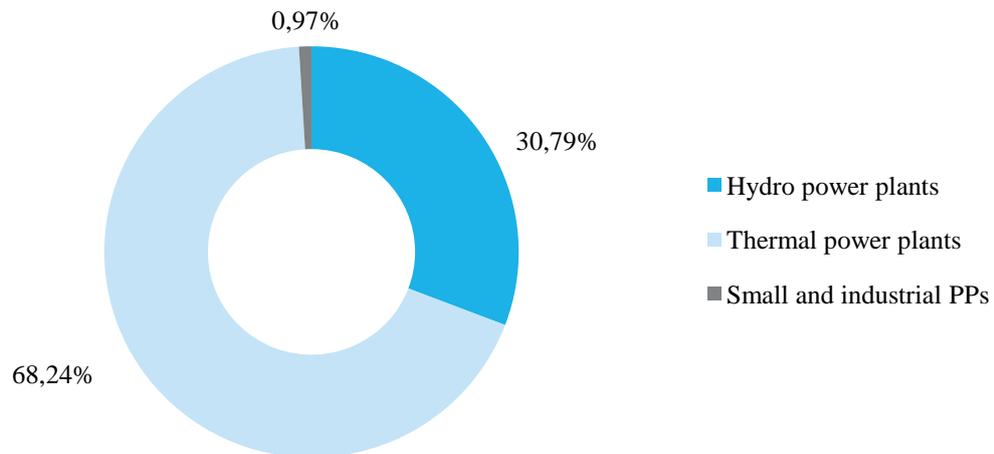


Figure 2. Break-down of electricity generation in BIH in 2011



The increase in total consumption amounted to 2.7% with consumption of customers connected to the transmission network increasing by 9.8%, while consumption by distribution system users increased by 0.8% compared to last year.

Take-over of electricity from the transmission network amounted to 11,901 GWh, which is an increase by 3.7%. A higher percentage of increase in take-over of energy from the

Figure 3. Energy taken over in BIH from the transmission network– monthly data (GWh)

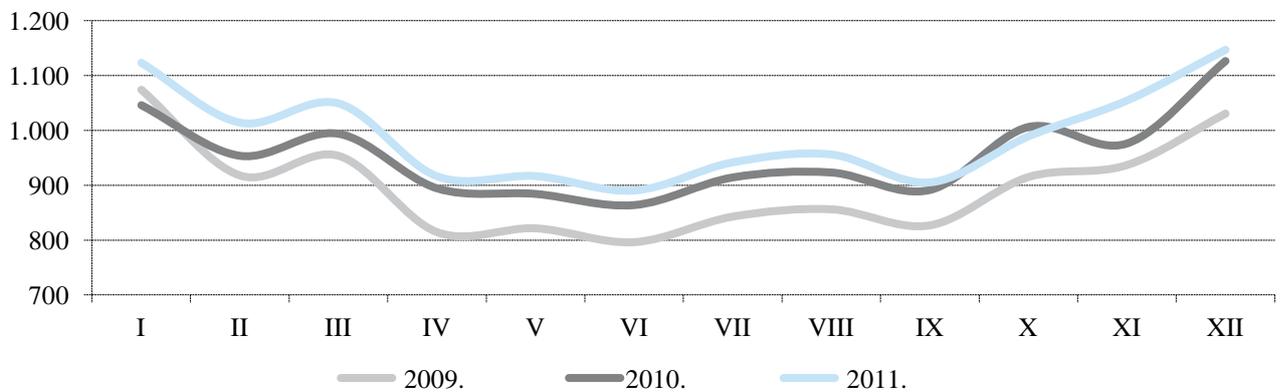
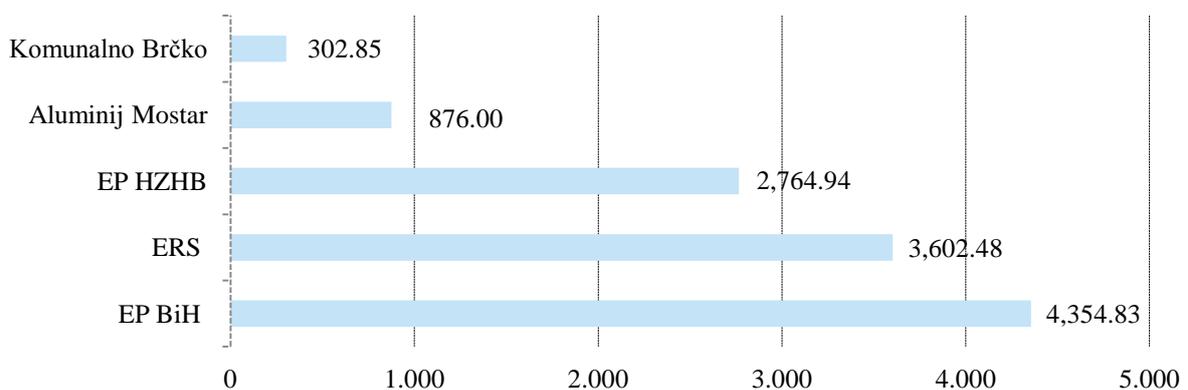


Figure 4. Energy taken over in BIH from the transmission network by entities (GWh)

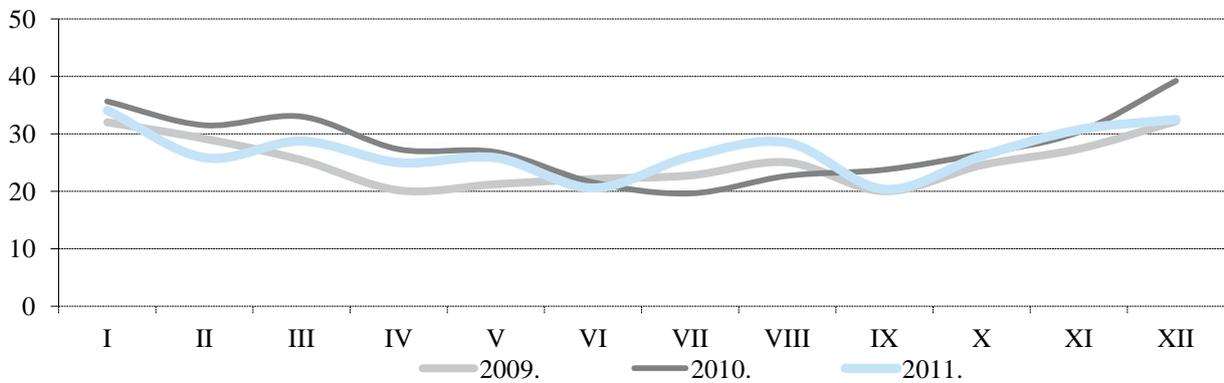


transmission network in relation to the increase in total consumption is a consequence of the large drop of generation by sources connected to the distribution network (small hydropower plants - SHPP and industrial power plants). Generation by small hydropower plants reached only half of last year's generation. Data on energy taken over from the transmission network by months and entities are presented in Figures 3 and 4 respectively.

A maximum load of the power system in 2011 amounted to 2,150 MW, registered on December 31, 2011 at 18:00 hrs. This did not exceed a maximum of 2,173 MW, which is a historic record registered on December 31, 2010 at 18:00 hrs.

When it comes to electricity losses, a positive trend was noted because distribution losses amounted to 1,225 GWh or 12.9% in relation to gross distribution consumption, which is the lowest level in the post-war period. Transmission losses amounted to 324 GWh, thus being 4% lower than in 2010, which is the result of the reduction of both generation and cross-border flows compared to the previous year. Although consumption increased, reduced generation and cross-border flows (import, export and transit) resulted in a lower scope of electricity flows in the transmission network in total and, consequently, in lower transmission losses. Data on monthly losses in the transmission network are provided Figure 5.

Figure 5. Monthly losses in the transmission network (GWh)



Regional Electricity Market

In 2011, the most important indicators in the regional market were a reduced scope of trading and a moderate increase in prices. Unfavorable hydrological conditions in the whole region had a negative impact on generation by hydropower plants in all countries in the region, increasing the already existing deficits in the importing countries and reducing surpluses in the exporting countries. The reduced generation by hydropower plants could not be sufficiently covered by an increase in generation by thermal power plants taking into account their limited capacities, given that the existing capacities are in a late phase of their

exploitation, and new capacities have not been built for a longer period. With the continuous increase in consumption, the conditions for further increases in prices were created in the wholesale regional market, so the level of prices ranging between 50 and 55 €/MWh at the beginning and in the middle of the year approached the amount of 60 €/MWh at the end of the year.

Electricity Market in BIH

Consumption of electricity in BIH has been the highest in past twenty years. Total consumption amounted to 12,593 GWh or 2.7% higher than in last year. Customers connected to the transmission network took over 2,758 GWh, which is 9.8% higher than in 2010. Customers at the distribution network increased consumption by 0.8% taking over 9,475 GWh. Of this amount 1,225 GWh pertains to losses in the distribution network, and 8,250 GWh to take-over by end customers. Total sale to customers in BIH increased by 3.4% and amounted to 11,008 GWh.

In the middle of 2011, the selling price moved upwards for customers supplied by Elektroprivreda BIH. Consequently, the average selling price for tariff customers increased by 2.3%, that is, from 12.59 pfennig/kWh to 12.88 pfennig/kWh (1 €=1.95583 BAM; 1 BAM = 100 pfennig). The average selling price for customers belonging to the category of households amounted to 12.89 pfennig/kWh, which is a 3% increase in comparison to last year. Trends of average realized electricity prices for end customers in Bosnia and Herzegovina are presented in Figure 6, while Figure 7 gives an overview of average electricity prices of the power utilities per customer categories in 2011. The aforementioned prices do not include VAT.

Figure 6. Average electricity prices by customer category, without VAT (pfennig/kWh)

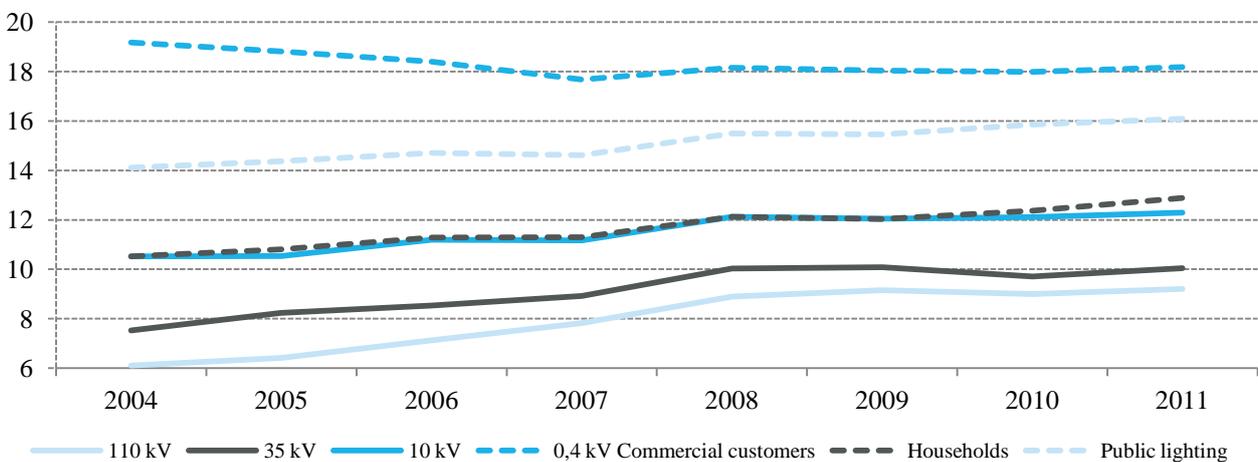
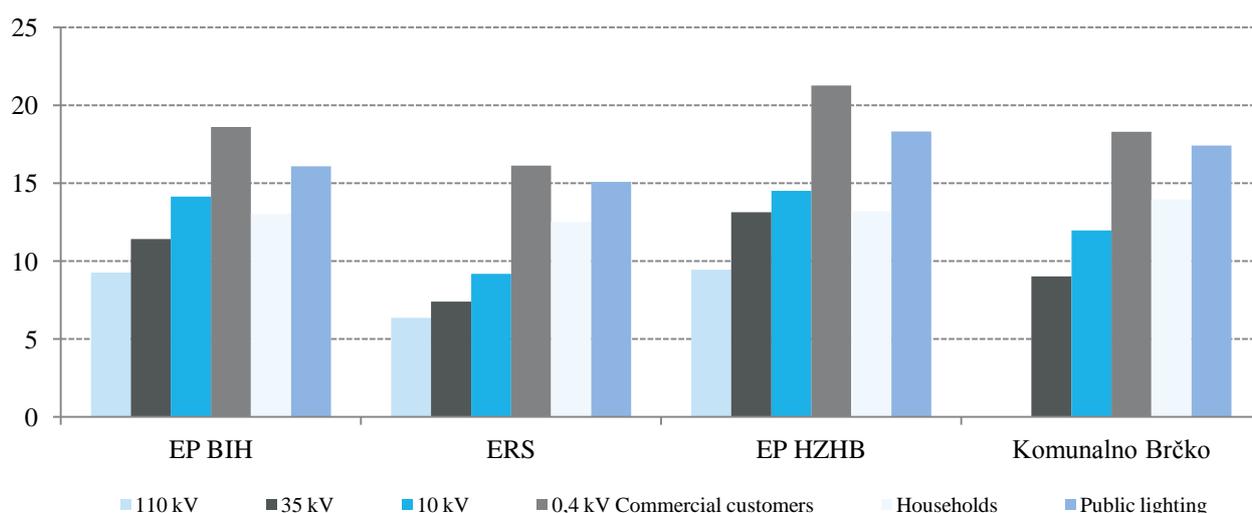


Figure 7. Average electricity prices by public utility without VAT (pfennig/kWh)



Total business results of the companies in the sector are poorer than in 2010. The unfavorable hydrological conditions had an exceptionally negative impact on business operations of Elektroprivreda HZHB, while Elektroprivreda BIH and Elektroprivreda RS made some modest profits in spite of the reduced possibilities of export. In this situation, “Elektroprijenos/Elektroprenos BIH” had stable profitable business results at the level of its standard past realization.

The retail market in Bosnia and Herzegovina is still undeveloped due to the strong influence of incumbents, that is, the companies that traditionally perform supply activities in a particular geographic area. In addition, besides the existing legal and regulatory framework for competition in the retail segment, there have been no actual possibilities to alter the current constellation yet. The activity of electricity supply is fully performed within the three public power companies, which, with the Company Komunalno Brčko performing this activity in the area of Brčko District BIH, supply practically all customers in Bosnia and Herzegovina, 1,459,624 of them, according to the status as of December 31, 2011. The number of customers by supplier in BIH is provided in Table 5.

Table 5. Number of customers by supplier in BIH

	110 kV	35 kV	10 kV	Other consumption	Households	Public lighting	Total
Elektroprivreda BIH	5	49	652	57,961	645,244	3,395	707,306
Elektroprivreda RS	8	31	737	34,877	493,599	905	530,157
Elektroprivreda HZHB	3	3	151	14,683	171,156	1,649	187,645
Komunalno Brčko	-	1	22	3,817	30,279	397	34,516
Total	16	84	1,562	111,338	1,340,278	6,346	1,459,624

All customers at the middle (35, 20 and 10 kV) and low (0.4) voltage levels were supplied at regulated prices in 2011. Only one customer purchasing electricity in the market was registered, this one being Aluminij d.d. Mostar, which purchased 876 GWh in the market (44.1% of total consumption).

According to energy volumes from 2011, consumption of all customers that have the possibility to acquire status of eligible customers (that is, all customers that do not belong to the category of households) amounted to 6,461,185 MWh, while total consumption of all customers amounted to 11,008,111 MWh, which accounts for a nominal level of opening of 58.69%. As mentioned above, only one customer purchased energy in the market; thus, the actual level of opening in 2011 amounted to 7.96%.

Cross-Border Trade

Good connections of the BIH system with neighboring countries enable sales of electricity to the countries in the region that have significant shortages. However, in 2011, exports were significantly reduced due to the reduced generation. A total of 2,586 GWh was exported, which is slightly more than half of the value of last year's exports.

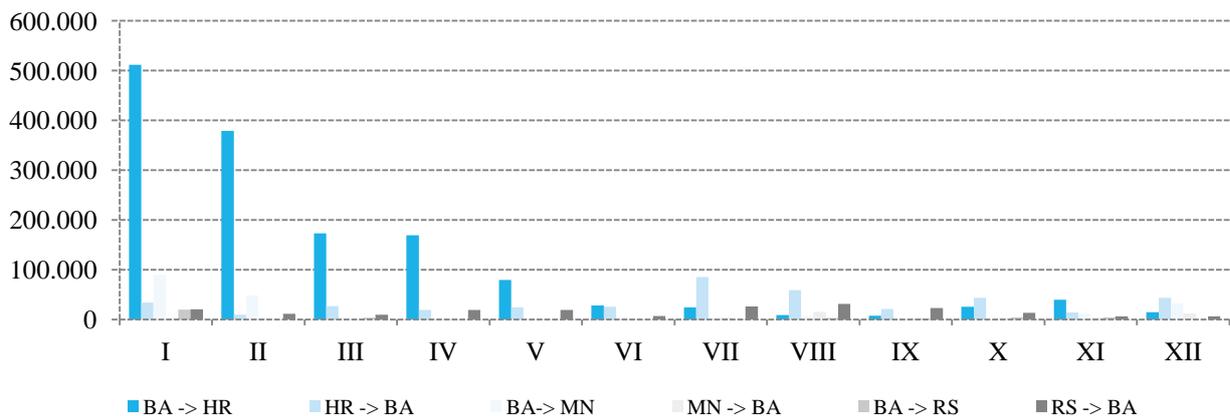
In 2011, registered transit of electricity through the BIH transmission network amounted to 2,329 GWh, which is a decrease of 15.3% in comparison to 2010. BIH realizes income on the basis of transit by participation in the Inter-TSO Compensation Mechanism (ITC Mechanism), which is described in more detail in the earlier SERC reports on activities.

Exports and imports between Bosnia and Herzegovina and neighboring countries are provided in Table 6. Usually, the highest export is realized with Montenegro and Croatia. Among the domestic entities, the highest import was realized by Aluminij d.d. Mostar, which imported 876 GWh for self-consumption which accounts for 80% of total import in 2011.

Table 6. Cross-border trade per borders, including transit (GWh)

<i>Country</i>	<i>Export</i>	<i>Import</i>
Croatia	2,426.3	1,842.3
Serbia	763.6	1,273.8
Montenegro	1,734.7	311.0
Total	4,924.6	3,427.1

Figure 8. Income on the basis of monthly auctions, per borders and directions (BAM)



Since 2010, ISO BIH has applied the *Rules of Allocation of the Right to Use Cross-Border Transmission Capacities*, organizing auctions on a daily, monthly and annual basis.

An annual auction for 2011, organized on December 6, 2010 resulted in a total revenue on the basis of the annual allocation of capacities in the amount of 4,789,300 BAM (1 €=1.95583 BAM), and an auction for 2012 held on the same day in 2011 made revenues totaling 4,970,880 BAM. The available capacity was allocated via auction to 10 registered companies. The highest price was reached on the border with Croatia in the direction from Croatia to BIH in the amount of 13,915.80 BAM/MW.

The total revenue on the basis of monthly auctions in 2011 amounted to 2,333,995 BAM. The highest price reached in a monthly auction amounted to 2,924 BAM/MW and was registered on the border with Croatia in the direction from BIH in the auction for the month of January 2011.

In 2011, auctions of cross-border capacities on a daily basis were conducted, with the resulting revenue of 3,060 BAM.

The user of all revenues on the basis of auctions for allocation of the right to use cross-border capacities is the Transmission Company.

3.8 Energy statistics



Acknowledging the importance of the reliability and coherence of energy statistics, on April 19, 2011, the State Electricity Regulatory Commission and the Agency for Statistics BIH signed a Memorandum establishing the basis for mutual cooperation in the field of collecting statistics of relevance for activities of both institutions and the whole BIH energy sector.

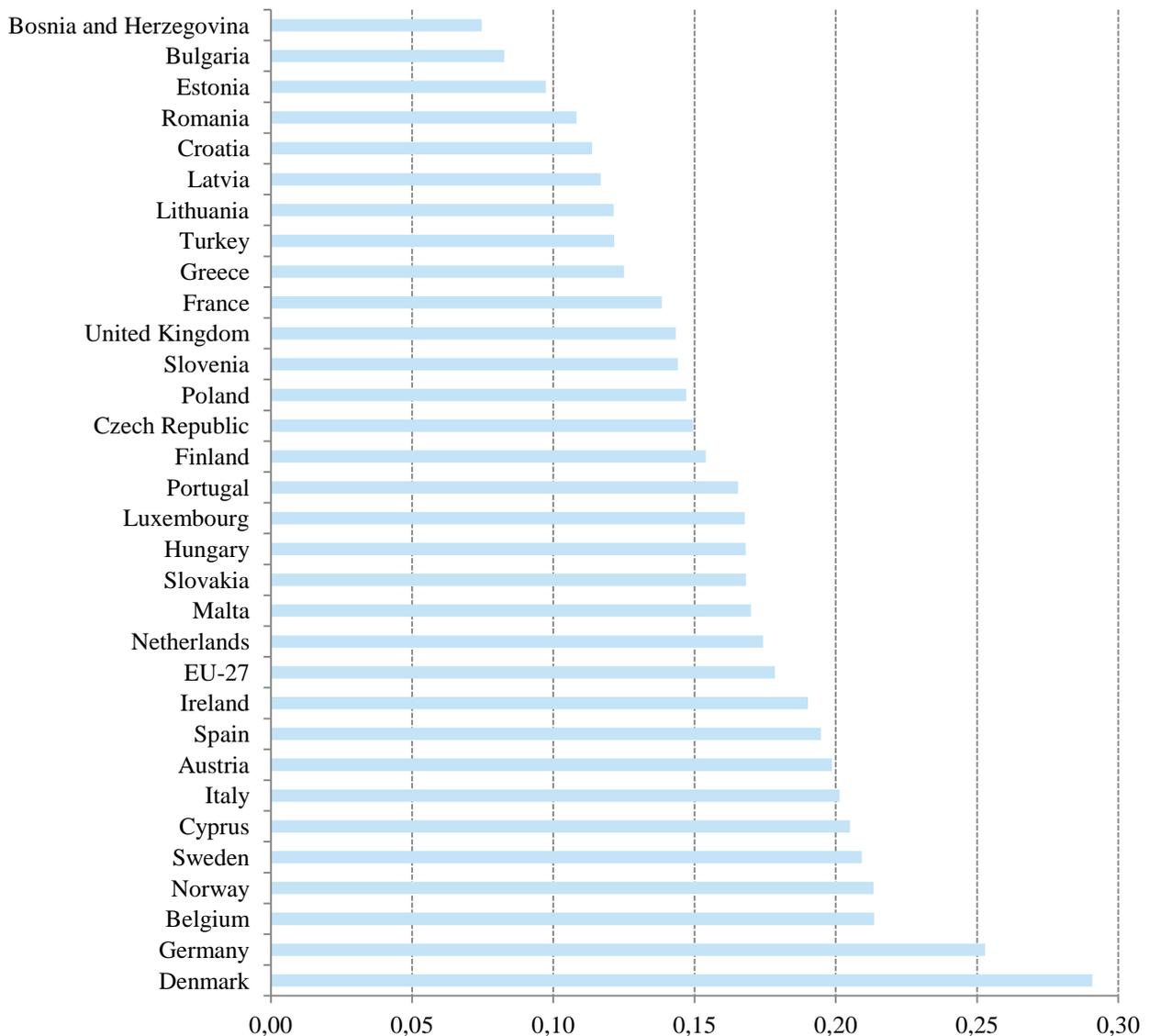


Eurostat is the statistical office of the European Union situated in Luxembourg. Its task is to provide the European Union with statistics at European level that enable comparisons between countries and regions.

This form of cooperation is certainly going to support and contribute to energy statistics development and expedite the process of harmonization of the official statistics system of BIH and statistics of the European Union countries in all fields, in particular in the field of energy statistics.

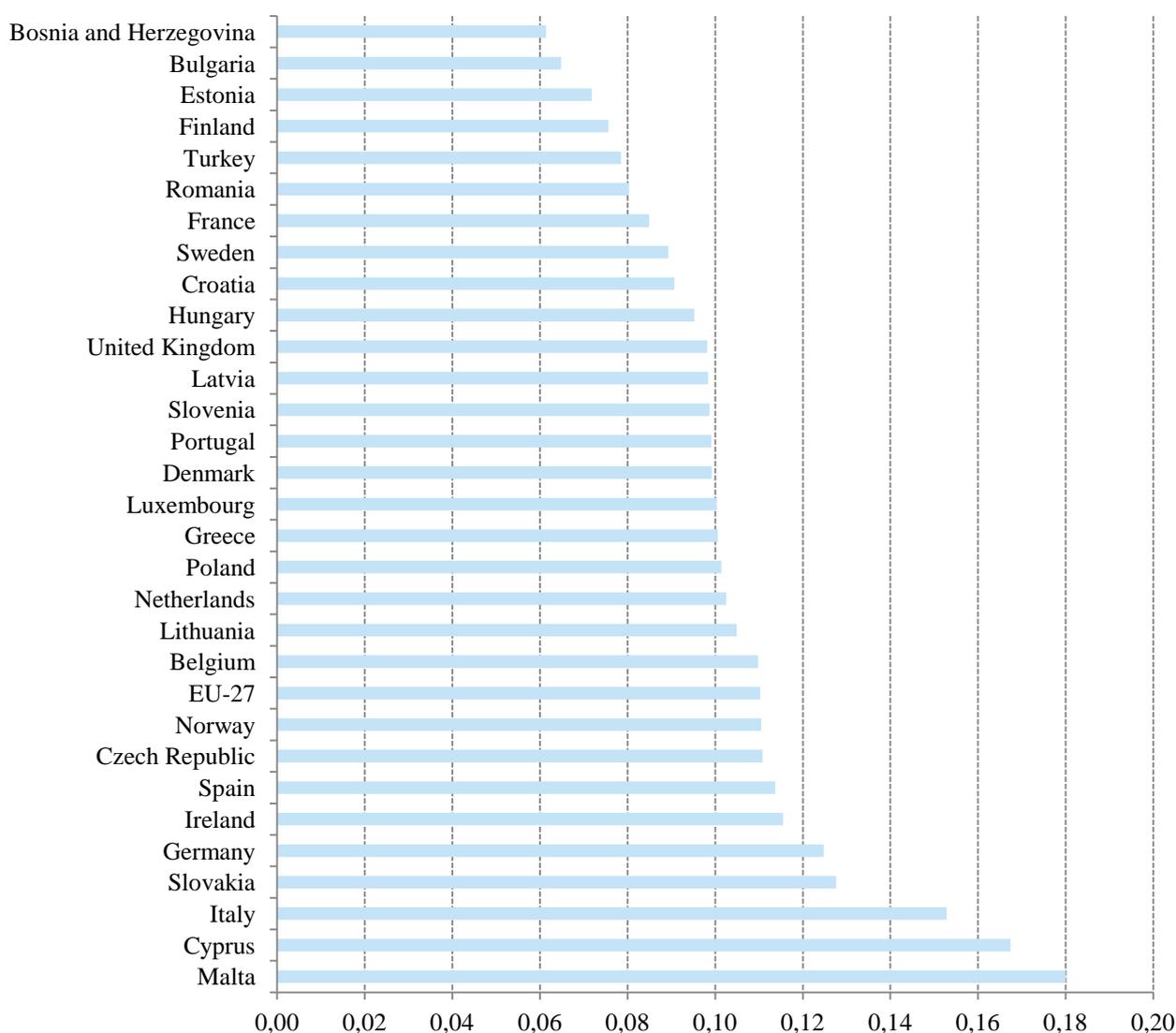
The Memorandum has produced significant results already in the middle of 2011, when Eurostat published for the first time electricity and gas prices in BIH based on the submitted statistics(http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Electricity_and_natural_gas_price_statistics), thus enabling their comparison with EU countries and some countries that are in the EU accession process (Figures 9 and 10).

Figure 9. Electricity prices expressed in €/kWh for households (annual consumption from 2500 to 5000 kWh) in the first half of 2011, using Eurostat methodology



Note: The given amounts do not include VAT

Figure 10. Electricity prices expressed in €/kWh for industrial customers (annual consumption from 500 to 2000 MWh) in the first half of 2011, using Eurostat methodology



Note: The given amounts do not include VAT

3.9 Other activities

Besides the aforementioned activities, in 2011 SERC exchanged data with a number of state institutions (the BIH Council of Ministers, Directorate for Economic Planning of the BIH Council of Ministers, the Council of Competition of BIH, the Foreign Investments Promotion Agency in BIH, the Agency for Statistics BIH and others) and prepared different types of information they needed.

Since their establishment, the State Electricity Regulatory Commission, the Regulatory Commission for Electricity in the Federation of BIH and the Regulatory Commission for Energy of the Republika Srpska cooperate and harmonize their activities.

In the previous period, the three regulatory commissions prepared and submitted to the competent ministries several documents dealing with the market opening issues:

- Document on obstacles, preconditions and solutions to the successful functioning of the electricity market in BIH;
- Document on the transition period in the process of electricity market opening,
- Document on recommendations of a World Bank Study on Wholesale Market Opening in South East Europe and A Blueprint for the development of Action plan for designing an organized wholesale electricity market in Bosnia and Herzegovina.

The aforementioned documents were prepared to familiarize the BIH Council of Ministers and the entity governments as energy policy creators with the identified preconditions and obstacles with solutions to the successful functioning of the electricity market in BIH, which includes designing an organized wholesale market both at BIH and regional level.

The activities given in the *Regional Action Plan for Electricity Wholesale Market Opening in the Energy Community* prepared by several Energy Community institutions, primarily by the Permanent High level Group (PHLG) and the Regulatory Board (ECRB), as well as the Regional Group for South East Europe of the European Network of Transmission System Operators for Electricity (ENTSO-E), are one of the priorities in the Energy Community activities in 2012.

The Regional Action Plan emphasizes the necessity of concurrent development of regional and local markets on the basis of local action plans for the design of organized wholesale electricity markets, which all parties to the Energy Community are obligated to prepare, including Slovenia, Hungary, Greece, Bulgaria and Romania as well.



The development of documents relating to the market opening issues in BIH and the entire power sector reform in Bosnia and Herzegovina are supported by the United States Agency for International Development (USAID) through the Regulatory and Energy Assistance Project (*REAP*).

Components of the REAP project, which has lasted since 2007, are as follows: (1) continuous support to the Independent System Operator in BIH, including further development of the Grid Code and the Market Rules with further integration of BIH market into the regional and internal EU markets pursuant to the obligations from the Treaty Establishing the Energy Community, (2) Monitoring of and assistance with the implementation of action plans, and (3) Further assistance with

the unification of regulations, including the completion of all activities pertaining to the development of a new gas law and necessary modifications of the state and entity electricity laws.

Technical assistance of the European Commission



The European Commission is implementing a Technical Assistance Exercise for consolidation of the electricity supply and development of an EU-acquis-compliant legislative framework in the field of electricity in BIH. With this program the European Commission supports the fulfillment of a commitment of Bosnia and Herzegovina, stemming from the Stabilization and Association Agreement in the domain of electricity and the legal obligations of BIH under the Treaty Establishing the Energy Community in the energy sector of BIH. This two-year program consists of the following components:

- Creation of a framework for security of electricity supply in Brčko District BIH,
- BIH electricity legislative framework review,
- Development of an action plan for implementation,
- Development of an EU-Acquis-compliant legislative framework.

By the end of 2011, activities foreseen by the first two components were completed successfully; and they included the introduction of regulatory practice in Brčko District BIH and the development of a Report providing an overview of compliance of BIH primary energy legislation with the EU Acquis, including the contents of the Third Package. SERC is going to actively participate in the Program in 2012 as well, during which the remaining two components are expected to be completed.

Results of resolved court disputes

In addition to the two rulings in 2008, and one more in 2009, with two new rulings in 2011, the Court of Bosnia and Herzegovina confirmed once again that the SERC decisions were lawful, that is, that they were adopted without any breach of material rules or rules of proceedings. The last two rulings were adopted at the request of Elektroprivreda Republike Srpske for judicial revision of two SERC decisions on setting tariffs for ancillary services of March and June 2009.

No new requests for revision of the merits of any decision from the regulatory practice of the national regulator before the Court of BIH have been submitted.

4. INTERNATIONAL ACTIVITIES

4.1 Energy Community



The Treaty Establishing the Energy Community, which was signed in Athens on October 25, 2005, and came into effect on July 1, 2006, provides for the creation of the biggest internal market in the world for electricity and gas, with effective participation of the European Union on one side, and the following nine Contracting Parties: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, Ukraine and UNMIK – Kosovo.¹

In accordance with the interest expressed, the following countries participate in the work of the Energy Community bodies: Austria, Bulgaria, Czech Republic, Cyprus, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Romania, Slovakia, Slovenia and the United Kingdom. These fifteen countries, the so-called Participants from the European Union, directly participate in the work of the Energy Community bodies, and in the voting procedure their positions are expressed by votes of the European Commission.

Armenia, Georgia, Norway and Turkey have observer status in the Energy Community bodies.

Investments, economic development, security of electricity supply, social security, solidarity, and mutual trust are the key words that characterize the Energy Community, which exists as the first joint institutional project undertaken by the South East European countries that are not members of the European Union. The Energy Community has three levels of ambition: national, regional and pan-European.

The main goals of the Treaty are the creation of a stable and single regulatory framework and market space that ensures reliable energy supply and attracts investments in the electricity and gas sectors. In addition, it assumes the development of alternative sources of gas supply and improvement of the condition of the environment, with the implementation of energy efficiency and the utilization of renewable sources.

By signing the Treaty, the contracting parties from the region are obligated to establish a common electricity and gas market that will operate in accordance with the standards of the EU energy market with which it will integrate. It is to be achieved by gradual transposition of the EU *Acquis Communautaire* pertaining to energy, environment and competition, which means the implementation of the relevant EU directives and regulations pertaining to energy and environment (Please see Table 7).

¹ The list shows the Contracting Parties on December 31, 2011. Moldova and Ukraine have Contracting Party status as of May 1, 2010 and February 1, 2011 respectively.

Table 7. Energy Community Acquis

The *acquis*, that is, the legal framework of the Energy Community, which has been continuously developing since 2005, continues to focus on two directives foreseeing common rules for internal electricity and gas markets. They are supplemented by rules on cross-border trade, as well as rules in the area of environment, competition and renewable energy sources. In 2007, the *acquis* was expanded to include the EU directives on security of electricity and gas supply, while as of 2008 the term “network energy,” which initially included electricity and gas, includes the oil sector as well. In 2009 and 2010, the *acquis* was further expanded to include directives on energy efficiency (Directive on the energy performance of buildings, energy labeling and energy end-use efficiency and energy services).

Acquis on Energy

- Directive 2003/54/EC of the European Parliament and of the Council of June 26, 2003, concerning common rules for the internal electricity market,
- Directive 2005/89/EC of the European Parliament and of the Council of January 18, 2006, concerning measures to safeguard security of electricity supply and infrastructure investment,
- Regulation 1228/2003/EC of the European Parliament and of the Council of June 26, 2005, on conditions for access to the network for cross-border electricity trade.

Acquis on Gas

- Directive 2003/55/EC of the European Parliament and of the Council of June 26, 2003, concerning common rules for the internal natural gas market,
- Directive 2004/67/EC of the European Union Council of April 26, 2004, concerning measures to safeguard security of natural gas supply,
- Regulation 1775/2005/EC of the European Parliament and of the Council of September 28, 2005, on conditions for access to the natural gas transmission networks.

Acquis on Environment

- European Community Council Directive 85/337/EEC of June 27, 1985, on assessment of the effects of certain public and private projects on environment, with subsequent amendments of March 3, 1997 (Directive 97/11/EC), and Directive 2003/35/EC of the European Parliament and the Council of May 26, 2003,
- Directive 2005/53 of the European Parliament and of the Council of July 6, 2005, amending Directive 199/32 of April 26, 1999, relating to the reduction of sulfur content of certain liquid fuels; implementation by December 31, 2011,
- Directive 2001/80/EC of the European Parliament and of the Council of October 23, 2001, on limitation of emissions of certain air pollutants by large combustion plants ($\geq 50\text{MW}$); implementation by Dec 31, 2017,
- Article 4(2) of the European Community Council Directive 79/409/EEC of April 2, 1979, on conservation of wild birds,
- Endeavour to accede to the Kyoto Protocol and implementation of the Directive 96/61/EC of September 24, 1996, on pollution prevention and control.

Acquis on Competition

The following activities are not allowed and shall be assessed pursuant to Article 81, 82 and 87 of the Treaty Establishing the Energy Community:

- Prevention, restriction or distortion of competition,
- Abuse of dominant position,
- Any public aid which distorts or threatens to distort competition.

In particular, with regard to public undertakings and undertakings to which special rights have been granted, provisions of the Treaty Establishing the Energy Community, in particular Article 86, shall be upheld.

Acquis on Renewable Energy Sources

- Directive 2001/77/EC of the European Parliament and of the Council of September 27, 2001, on promotion of electricity generated by using renewable sources in the internal market
- Directive 2003/30/EC of the European Parliament and of the Council of May 8, 2003, on promotion of use of bio-fuels or other renewable fuels in transportation.

Continued on next page ⇨

⇒ Continuation of Table 7 from the previous page

Besides the EU *acquis*-a, the Ministerial Council has adopted several independent measures pertaining to dispute resolution, establishment of the so-called “8th Region” aimed at facilitation of cross-border electricity trade and measures for coordination of security of supply.

Indicators of further development of the Energy Community *Acquis* are recommendations of the Ministerial Council in 2010, which call on the Contracting Parties to implement the new European Union rules on internal energy market which comprise the so-called ‘Third Package’ and Directive 2009/28/EC of the European Parliament and of the Council of April 23, 2009, on the promotion of the use of energy from renewable sources amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC. With the Ministerial Council’s Decision from 2011, the Third Package rules, except Regulation 713/2009/EC, have become legally binding for the Energy Community Contracting Parties as well, with the implementation deadline by January 1, 2015.

Third Package

- Regulation 713/2009/EC of the European Parliament and of the Council of July 13, 2009, establishing the EU Agency for the cooperation of National Energy Regulators,
- Regulation 714/2009/EC of the European Parliament and of the Council of July 13, 2009, concerning conditions for access to the network for cross-border electricity trade, replacing Regulation 1228/2003/EC,
- Regulation 715/2009/EC of the European Parliament and of the Council of July 13, 2009, concerning conditions for access to the network for cross-border natural gas trade, replacing Regulation 1775/2005/EC,
- Directive 2009/72/EC of the European Parliament and of the Council of July 13, 2009, concerning common rules for the internal electricity market, replacing Directive 2003/54/EC,
- Directive 2009/73/EC of the European Parliament and of the Council of July 13, 2009, concerning common rules for the internal natural gas market, replacing Directive 2003/55/EC.

Note: Texts of EU rules provided in this table are available on the website of the State Electricity Regulatory Commission (www.derk.ba).

The Energy Community was created for a period of 10 years, expiring in July 2016, and it can be extended by unanimous decision of its Ministerial Council.

To ensure an adequate process of establishing and functioning of the Energy Community, the Treaty establishes a Ministerial Council, Permanent High Level Group, Regulatory Board, Electricity Forum (Athens Forum), Gas Forum (Maribor Forum), Social Forum, Oil Forum (seated in Belgrade) and the Secretariat.

The Ministerial Council, as the highest body of the Energy Community, ensures the achievement of goals that are determined by the Treaty Establishing the Energy Community. The Ministerial Council consists of one representative of each Contracting Party and two representatives of the European Union.

The Permanent High Level Group brings together senior officials from each Contracting Party and two representatives of

Figure 11. Geographic scope of the Energy Community



the European Community, ensuring continuity of and follow-up to Ministerial Council's meetings, implementing agreed activities and deciding on implementing measures in certain cases.

The Energy Community Regulatory Board (ECRB), seated in Athens, is composed of representatives of the regional state regulatory bodies, and the European Union is represented by the European Commission, with the assistance of one regulator of the EU participants and one representative of the Agency for the Cooperation of Energy Regulators (ACER). ECRB considers the issues of regulatory cooperation and may become a body issuing regional regulatory decisions and serving as a dispute resolution institution. The Regulatory Board has a key role in the expanded market operation. According to the opinion of the European Commission, this supranational body may become a role model for other parts of the world.

Energy Community Fora, dedicated to electricity, gas, oil and social aspects, bring together all interested stakeholders – representatives of governments, regulators, industry, customers, international financial institutions etc.

The Energy Community Secretariat, seated in Vienna, represents the key administrative actor and together with the European Commission it ensures the necessary coordination and provides support for the work of the other institutions. The Secretariat is responsible for reviewing the proper implementation by the Contracting Parties of their obligations under the Treaty,

Mr. Günther Oettinger, EU Commissioner for Energy: "...the Energy Community is today a model for regional cooperation on energy matters within the broader Europe, which spans from Lisbon to Kiev and from Tirana to Helsinki.

...Promoting region-wide energy systems and exchanges will help not only single Contracting Parties, but will contribute to the security of supply of the broader Europe."

From the speech on the occasion of the 5th anniversary of the Energy Community, Vienna, October 25, 2011



and it submits yearly progress reports to the Ministerial Council. To this extent, the Secretariat acts as a 'guardian' of the Energy Community Treaty while the European Commission plays a general coordinator role under the same Treaty.

In October 2011, the Energy Community hosted a high level conference, celebrating the 5th anniversary of the entry into force of the Treaty Establishing the Energy Community. In this period, the Energy Community has grown into a mature organization, which provides a solid institutional framework for cooperation, mutual support and exchange of experiences and, therefore, serves as a model for regional cooperation on energy matters.

By participation in this process, Bosnia and Herzegovina confirms its commitment to the reform of the energy sector, liberalization of the energy market and harmonization of its policies with those of EU member states.

The work of the State Electricity Regulatory Commission, in the field of Energy Community, was carried out with the necessary cooperation of the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, then, through support and contribution to the realization of different projects supporting the establishment of the Energy Community, and in particular, through proactive involvement in surveys which were planned and implemented by different groups with the wider thematic spectrum which include energy regulators from the region and the European Union.

SERC activities in the Energy Community continue to focus on the Regulatory Board, in which Bosnia and Herzegovina and its interests are represented by the State Electricity Regulatory Commission. The formal establishment of the Regulatory Board of the Energy Community took place on December 11, 2006 in Athens. In 2011, the Regulatory Board held three meetings.

Mr. Mirsad Salkić, SERC Commissioner, was the President of ECRB in 2010 and 2011, while Mr. Edin Zametica, M.Sc., Secretary, also contributes to the affirmation of the Regulatory Commission in the capacity of the Chairman of the Customer Working Group since 2007.

ECRB organizes a considerable part of its activities through several working groups, with the support of the relevant Energy Community Secretariat Section.

During 2011, the **Electricity Working Group (EWG)** was focused on the process of establishing a common regional mechanism for allocation of cross-border capacities, establishment of the regional balancing mechanism, the issue of market design and opening and establishment of harmonized licensing regimes in the region.

By establishing a few sub-groups in the operational organization of its work, EWG prepared several important documents, reports and benchmarking reports, among which of special importance are *Electricity Balancing Models in the Energy Community - An Assessment Report*, *Study on Regulatory Investment Incentives*, and *Draft Guidelines for Electricity Market Monitoring in South East Europe*, of which the latter is undergoing public consultations. EWG made a significant contribution to the preparation of the Regional Action Plan for Wholesale market Opening in South East Europe. This Plan is a joint document of PHLG, ECRB and ENTSO-E. EWG prepares overviews of the regulatory environment, identifies legal and financial obstacles and proposes solutions at regional and national level for the implementation and functioning of new mechanisms within the regional market of South East Europe. The area of activities of the Working Group requires of its members a wide range of skills, including technical, legal and financial issues.

The **Gas Working Group (GWG)** has been committed to regional gas market development, which is less developed than the electricity market. Only a few countries have developed their gas markets, while the others use gas within a limited scope or not at all. Currently, there are a large number of projects aimed at regional gas market development. In 2011, the Working Group focused on the development of *Recommendations for Funding Investments in the Energy Community Gas Ring*, the completion of which is expected in 2012. The realization of the Gas Ring is going to enhance significantly the security of supply and further gasification in South East Europe.

The Working Group finalized its activities on the preparation of *the Report on Gas Market Models in the Energy Community and their Compliance with Regulation 1775/2005/EC*, focusing on the principles of transparency and sanctions. In addition, the GWG monitored the practical implementation of the Regulation in the field of liquefied gas trading and natural gas storage.

In 2011, the **Customer Working Group (CWG)** was primarily committed to the development of customer protection mechanisms in the process of energy market liberalization. CWG prepared several documents pertaining to the state of play in the Energy Community including *Report on Treatment of Vulnerable Customers in the Energy Community*, *Status Review of Complaint Handling Practices in the Energy Community*, *Study on Best Practice Recommendations for Smart Meters Rollout in the Energy Community*, *Survey on the Status Quo of Gas Billing Practices in the Energy Community* and an update of the Survey pertaining to electricity.

The Group paid particular attention to the quality of supply, through the realization of the *Study on Recommendations for Quality of Service Data Collection, Reporting and Auditing in the Energy Community* and *Benchmarking Report on Quality of Electricity Supply in the Energy Community*, which is the result of cooperation with the Council of European Energy Regulators (CEER) and is an Annex to the 5th CEER Benchmarking Report on the Quality of Electricity Supply.

In the forthcoming period, CWG plans to continue its activities on vulnerable customer protection, analysis of supplier switching issues, connection of customers to the network and electricity generation by small customers.



The South East Europe Co-ordinated Auction Office Implementation Group (SEE CAO IG). Increased trading volumes resulting from the liberalization of the electricity market have come to the point where the limited cross-border capacities have become an obstacle for a further increase of volumes of cross-border trade in electricity.

Coordinated cross-border transmission capacity auctions are a step further in an attempt to use the existing connections among national power systems to the extent possible, i.e., to maximize the level of their use. To achieve this goal, the South East Europe Co-ordinated Auction Office Implementation Group (SEE CAO IG) was formed, comprised of representatives of regulatory authorities and transmission system operators.

This composition takes into account the fact that continuous and close cooperation between regional system operators and regulators is required to deal with the issues of coordinated auctions. According to the initial Action Plan, the establishment of the Office was expected at the beginning of 2009. However, due to several pending issues, including the method of revenue allocation, definition of regional borders that will be covered by the Office, the existence of legal barriers in national legislations of participant countries and the choice of the Office's location and its establishment was postponed to 2012.

Other activities in accordance with the initial action plan were also postponed, but the continuation of activities is expected in 2012, as it was determined that the seat of the Office would be in Podgorica and that most of the regional transmission system operators signed an Agreement on establishment of the Project Team Company and its financing.

The Independent System Operator in BIH signed the aforementioned Agreement on February 5, 2011, thus confirming the commitment of Bosnia and Herzegovina to fully meet its obligations under the Treaty Establishing the Energy Community, together with other members of the '8th Region'.

4.2 Energy Regulators Regional Association – ERRRA



The Energy Regulators Regional Association (ERRRA) is an organization composed of independent energy regulatory bodies in Central and East Europe and newly independent states in the region. ERRRA has 24 full and three associate members. In addition, six affiliate members are engaged in ERRRA activities, including the National Association of Regulatory Utility Commissioners (NARUC).

The goals of ERRRA are improvement of energy regulation in the member countries, development of independent and stable energy regulators, improvement of cooperation among regulators, exchange of information, research and experience among the members, better access to information on world-wide experience on regulation of energy activities.

The State Electricity Regulatory Commission is a full ERRRA member as of May 19, 2004. At the General Assembly meeting held in May 2010, the two entity regulatory commissions, FERC and RSERC, became ERRRA associate members.

SERC representatives actively participate in the work of the General Assembly and Investment Conference, as well as in the work of standing committees and working groups with particular emphasis on the Standing Licensing/Competition Committee and Standing Tariff/Pricing Committee, the latter being chaired since 2010 by Mr. Saša Šćekić, Head of Licensing and Technical Affairs Department of SERC, and the Legal Regulation Working Group.

Figure 12. ERRRA Membership



ERRA dedicated the period between December 2010 and May 2011 to the celebration of its 10th anniversary. The growth in membership and current geographic reach highlights the continued fulfillment and appeal of its mission: improve regulation, cooperation, authority and autonomy of energy regulators. It was the purpose of the 10-year anniversary to reflect on ERRA's achievements in educational opportunities, technical exchanges and investments in member countries. The unique international role and mission ERRA fulfils enables energy regulators to work effectively. The peak event of the anniversary period was the 10th Energy Investment and Regulation Conference held in May 2011 in St. Petersburg (Russia).

The most important topics elaborated in 2011 include the economic crisis and energy markets (drop in demand, new investments, tariff regulation), efficiency assessment of distribution companies, the market structure, possibilities of providing ancillary and balancing services in small systems, performance indicators of distribution companies after privatization, regulatory supervision of wholesale and retail markets during the transition towards a liberal model, regulatory aspect of energy efficiency, commercial losses and uncollected receivables, allocation of costs and profits of combined power plants, incentive tariffs, balancing contracts, regulation vs. competition in energy markets, approach of regulators and other authorities to providing competition in the energy sector, regulatory implications of the EU Third Energy Package, regulatory independence and mutual relations with national authorities, regulatory and legal aspects of climate change, state vs. private ownership in the energy sector.

Besides active participation in ERRA bodies, by providing relevant information on the power sector of Bosnia and Herzegovina, in particular on the applicable regulatory practice, the State Electricity Regulatory Commission fulfills its role acquired by full ERRA membership.

4.3 Mediterranean Working Group on Electricity and Natural Gas Regulation – MEDREG



The Mediterranean Working Group on Electricity and Natural Gas Regulation – MEDREG, created in May 2006 as a working group, is today a non-profit Association under Italian law, established in Rome in November 2007. MEDREG gathers regulatory authorities from Albania, Algeria, Bosnia and Herzegovina, Croatia, Cyprus, Egypt, France, Greece, Italy, Israel, Jordan, Malta, Montenegro, Morocco, the Palestinian Authority, Portugal, Slovenia, Spain, Tunisia and Turkey.



Its organization is structured around a biannual General Assembly, as well as around four permanent Ad Hoc Groups: (1) on Institutional Issues (chaired by France), (2) on Electricity (chaired by Egypt), (3) on Gas (chaired by Turkey) and (4) on Environment, Renewable Energy Sources and Energy Efficiency (chaired by Spain). Ad Hoc Groups meet at least twice a year.

MEDREG is supported by the Italian Government, REMEP (Rome Euro-Mediterranean Energy Platform) and CEER (Council of European Energy Regulators). MEDREG is co-financed by the European Union, with the purpose of promoting clear, stable and harmonized legal and regulatory frameworks, facilitating investments, infrastructure and interconnection development, efficiency and integration of the energy markets, based on secure, safe, cost-effective and environmentally sustainable energy systems in the Mediterranean basin. Moreover, MEDREG fosters co-operation, information exchange and mutual assistance among the EU and Mediterranean countries, providing the maximum benefits to energy consumers in both regions.

The Ministerial Declaration signed in Cyprus in December 2007, by energy ministers from Euro-Mediterranean countries acknowledged the unique and strategic role of MEDREG in establishing and enhancing cooperation among energy regulators, reinforcing transparency, enhancing mutual knowledge and contributing to the harmonization of the regulatory framework in the Euro-Mediterranean energy market.

As opposed to the regular participation in General Assembly meetings, the representatives of the State Electricity Regulatory Commission in Ad Hoc Groups are not able to attend working groups' meetings, but they actively prepare information and comment on draft documents.

In General Assembly meetings in 2011, MEDREG confirmed that one of its main goals was to improve and harmonize the regulatory framework functional to new energy infrastructure investments and regional market integration. To this end, the Task Force on Infrastructure Investments was created as an internal monitoring unit that can provide a regulatory analysis of the future investments in the area for the medium and long term. The awareness of MEDREG activities and exchange of information among member countries are promoted by the network of Communication Officers for which each regulatory authority of member countries nominated its representative.

4.4 International Confederation of Energy Regulators – ICER



The International Confederation of Energy Regulators (ICER) is a voluntary framework for cooperation between energy regulators from around the globe. The ICER's aim is to improve public and policy-maker awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues.

Through regular and structured contacts the Confederation undertakes joint analysis of a variety of regulatory topics, exchanges information and best regulatory practice and promotes exchanges on education practice.

The work of ICER focuses on four key areas: reliability and security of supply, the role of regulators in responding to climate change, competitiveness and affordability and independence, powers, responsibilities and training of regulators.

Over 200 regulatory authorities on six continents are included in the ICER's membership through regional regulatory associations (Figure 13) and participate in its activities.

Figure 13. Regional regulatory associations included in the ICER's membership



4.5 International Energy Regulation Network – IERN



International Energy Regulation Network (IERN) is a web platform established in 2003 by the II World Forum on Energy Regulation (WFER). IERN aims at facilitating information exchange on electricity and natural gas market regulation, to

the benefit of regulators, but also of other interested users. IERN is managed by the Florence School of regulation in close cooperation with Council of European Energy Regulators (CEER).

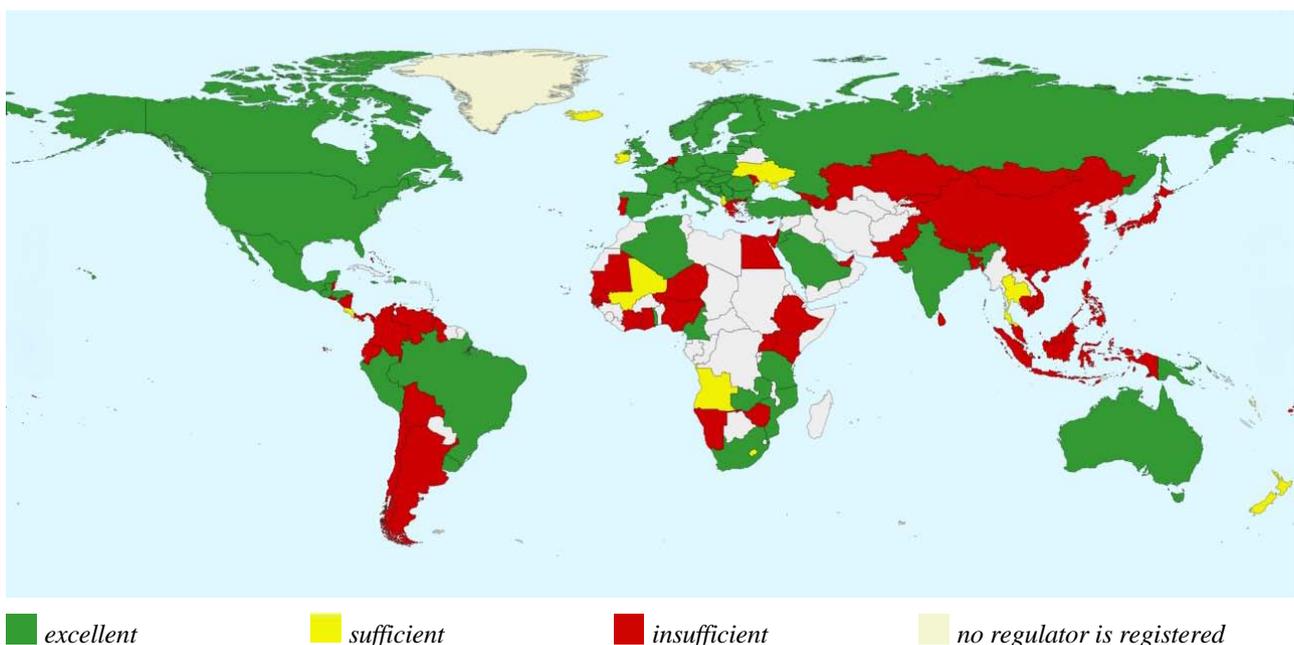
IERN is a place where regulators can exchange information about training courses, conferences and online resources on energy regulation. In the longer term, IERN aims to become not only a vector for exchanging existing information, but also a producer of in-house working papers based on best practices.

IERN brings together 311 regulatory authorities that are at the same time members of regional regulatory associations.

In order to guarantee the quality of the data to be found on the website, IERN is supported by the main regional associations of regulators worldwide, individual energy regulators and by some international institutions. SERC directly participated in the creation of the Network, making the data on the power sector and regulatory practice in BIH accessible in this manner as well.

In 2011, SERC staff actively participated in the provision of required data for IERN online surveys in order to provide information on electricity regulation, and in particular on the scope and depth of the activities of regulatory authorities, including transmission, distribution, generation, wholesale, retail and others, as well as in an update of the existing data. This approach enables interested users to access the relevant information provided by the platform in a timely and efficient manner.

Figure 14. Data quality rating by IERN



5. AUDITING REPORT

Pursuant to the Law on Transmission of Electric Power, Regulator and System Operator of BIH, SERC finances itself out of its own revenues. The basic revenue of SERC in 2011 was the regulatory fee paid by holders of licenses for the transmission of electricity, independent system operator and international electricity trading. The regulatory fee is determined in a manner so as to cover SERC's costs, while the obligation to pay the regulatory fee in the forthcoming period is reduced by the estimated difference in revenues over expenditures.

SERC financial dealings cover mostly the following areas:

- incurrence and settlement of financial obligations for the needs as defined in the approved Financial Plan;
- short-term planning and cash flow management;
- regular monitoring of the Financial Plan realization in the current year;
- an analysis and estimate of future cash flows within the current year, as the basis for development of a new financial plan;
- preparation of the financial plan for the following year;
- internal financial reporting as the basis for adoption of the relevant business decisions;
- financial reporting to external bodies, authorized institutions and the public.

The final result of all aforementioned activities and adopted decisions are financial reports presenting business results at the end of a business year. SERC financial reports are audited every year in order to have an independent and impartial audit of the stated business results as well as to check the compliance of these procedures with the applicable regulations.

In 2011, the auditing of the SERC financial reports was performed by the Auditing, Accounting and Consulting Company "REVIK" d.o.o. Sarajevo, with whom a contract was concluded based on a published public invitation for auditing services.

While performing an audit in accordance with International Standards on Auditing, the auditors collected evidence on the amounts and other data provided in the financial reports to reasonably ensure that the financial reports do not contain materially relevant mistakes. In addition to determining the objectivity of the financial reports as a whole, the performed audit included simultaneous evaluation of accounting policies applied and relevant estimates made by the SERC management.

"In our opinion, the financial reports show objectively the financial standing of the State Electricity Regulatory Commission (SERC) on December 31, 2010 in all materially relevant aspects, as well as its business results and changes in cash flows for the year which ended at that point, in accordance with the International Financial Reporting Standards ("IFRS")."
(*"REVIK"*, March 22, 2011)

On the basis of evidence obtained, the independent auditor positively assessed the SERC financial reports for 2010. With the mentioned opinion, SERC maintained the highest auditing appraisal of both provided financial results of performance and the state of play of assets, liabilities and capital.

Permanent improvement of the financial management and internal control system was continued along these lines, enabling the well-organized and efficient work with the simultaneous prevention or identification of possible mistakes in order to protect the property from loss caused by negligence or poor management.



In previous reporting periods, while reviewing the Auditing Report of the Office for Auditing of the Institutions of Bosnia and Herzegovina, both Houses of the Parliamentary Assembly of Bosnia and Herzegovina commended SERC openly for the conscientious management of funds and compliance of its activities with the applicable legal regulations.

By using external auditing, SERC ensures both an independent and reliable report on the the use of property and the treatment of incomes and expenditures. With the aim of providing information on its financial standing and business results to interested persons and the wider public, auditing reports are published on an annual basis. The revised financial reports for 2010 were published in the “Official Gazette of BIH, number 34/11 and within a SERC internet presentation (www.derk.ba).

6. MAIN ACTIVITIES IN 2012

The State Electricity Regulatory Commission will continue its activities on the creation of conditions for free trade and unhindered electricity supply in accordance with the previously defined quality standard to the benefit of the citizens of Bosnia and Herzegovina, and in compliance with the relevant European directives and the rules on the internal electricity market. In this context, SERC representatives will participate in the planned revision and further development of the legal framework pertaining to the electricity sector.

In 2012, SERC will continue to cooperate with the Parliamentary Assembly of Bosnia and Herzegovina (PA BIH), in particular with the Commission for Traffic and Communications of the House of Representatives of PA BIH and the Commission for Foreign and Trade Policy, Customs, Traffic and Communications of the House of Peoples of PA BIH. Of particular importance is the continuation of information exchange and harmonization of key regulatory activities with the Ministry of Foreign Trade and Economic Relation of BIH, which is competent for policy creation in accordance with the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina.

All existing modalities of mutual follow up and harmonization of activities will be continued in 2012 with the Regulatory Commission for Electricity in the Federation of BIH and the Regulatory Commission for Energy of the Republika Srpska, as well as with other regulatory bodies established at state level, primarily the Council of Competition of BIH.

Taking into account the need of different decision-making levels for quality and reliable statistical data in the energy field, SERC intends to remain an active administrative source and a reference generator of these data; and to this end, it will continue the present cooperation with the BIH Agency for Statistics.

Furthermore, SERC will follow activities and trends in the whole energy sector and directly participate in all relevant events.

Through its activities SERC will be focused on:

- Setting of tariffs in line with SERC competencies,
- Issuance of licenses,
- Regulatory monitoring of licensed entities,
- Creation of new regulatory rules and analysis of the previously adopted regulatory rules and the existing practice with a review and revision of SERC rules,
- Development of a model for provision of ancillary services,
- Design of a single electricity market with particular emphasis on the wholesale market opening issues,

- Capacity building in terms of the fulfillment of international obligations with regard to regulatory reporting,
- Social aspect in the field of regulatory practice,
- Monitoring the implementation of the ITC mechanism and establishment of the mechanism for coordinated explicit capacity auctions,
- Approving and monitoring rules developed by ISO BIH and “Elektroprijenos/Elektroprenos BIH”,
- Monitoring the development of *the Indicative Generation Development Plan for the Period 2013-2022* and approving *the Long-Term Transmission Network Development Plan for a ten-year period* as well as *An Annual Investment Plan of “Elektroprijenos/Elektroprenos BIH”*,
- Sharing information on the regulatory practice with the regulated entities and the public,
- Performing other tasks entrusted to SERC.

SERC is also planning to actively participate in the implementation of the Action Plan and the development of legislation in the power sector of BIH pursuant to the EU *acquis*, while contributing to the removal of shortcomings in the power sector which are stated in the *BIH 2011 Progress Report of the European Commission* and the document *Enlargement Strategy and Main Challenges 2011-2012*.

SERC will also focus on the activities of international bodies pertaining to the regulation of the electricity market, primarily those in whose activities SERC participates:

- ECRB – the Energy Community Regulatory Board (including the Electricity Working Group, Gas Working Group, Customers Working Group, South East Europe Co-ordinated Auction Office Implementation Group),
- ERRA – the Energy Regulators Regional Association (including the Standing Licensing/Competition Committee, Standing Tariff/Pricing Committee and Legal Regulation Working Group),
- MEDREG – the Mediterranean Working Group on Electricity and Natural Gas Regulation (including Ad Hoc Working Groups on institutional issues, electricity, gas and environment, renewable energy sources and energy efficiency),
- ICER – International Confederation of Energy Regulators,
- IERN – International Energy Regulation.

Furthermore, SERC will continue to follow up the work of the Council of European Energy Regulators (CEER) and Agency for the Cooperation of Energy Regulators (ACER).

Taking into account the fact that the new rules of the European Union on the internal energy market (Third Package) have become mandatory for Bosnia and Herzegovina under the Treaty Establishing the Energy Community, with the deadline for the transposition into the national legislation and the practical implementation in the energy sector by January 1, 2015, in the forthcoming period SERC will pay due attention to the detailed analysis of the content of the Third Package on EU energy market liberalization in order to make the activities on the practical implementation of the relevant provisions as smooth as possible.

Additional information on the operation and procedures conducted by the State Electricity Regulatory Commission may be obtained on the internet at www.derk.ba, or by phone on +387 35 302060 and 302070, fax +387 35 302077, e-mail info@derk.ba or at the SERC seat in Tuzla, M. Jovanovića Street 4/II.

ATTACHMENT A: Basic Data on the Power System of Bosnia and Herzegovina

(Source: ISO BIH, the Company for Transmission of Electric Power of BIH and public power utilities)

Major generation facilities

Hydro power plants	Capacity of power unit (MW)	Total installed capacity (MW)	Thermal power plants	Installed capacity (MW)	Available capacity (MW)
Trebinje I	3×60	180	TUZLA	715	635
Trebinje II	8	8	G3	100	85
Dubrovnik (BIH+Hr.)	2×108	216	G4	200	182
Čapljina	2×210	420	G5	200	180
Rama	2×80	160	G6	215	188
Jablanica	6×30	180			
Grabovica	2×57,5	115	KAKANJ	450	398
Salakovac	3×70	210	G5	110	100
Mostar	3×24	72	G6	110	90
Mostarsko blato	2×30	60	G7	230	208
Peć-Mlini	2×15	30			
Jajce I	2×30	60	GACKO	300	276
Jajce II	3×10	30			
Bočac	2×55	110	UGLJEVIK	280	250
Višegrad	3×105	315			

Basic data on the transmission system

transmission lines

Nominal voltage of transmission lines	Length (km)
400 kV	864.73
220 kV	1,524.80
110 kV	3,888.63
110 kV - cable line	31.78

interconnectors

Nominal voltage of transmission lines	No. of interconnections
400 kV	4
220 kV	10
110 kV	22
Total	36

transmission sub-stations

Type of substation	No. of sub-stations	Installed capacity (MVA)
TS 400/x kV	9	6,090.5
TS 220/x kV	8	1,423.0
TS 110/x kV	127	4,785.0

transformers

Transmission ratio of transformers	No. of transformers	Installed capacity (MVA)
TR 400/x kV	14	4,900
TR 220/x kV	14	2,100
TR 110/x kV	219	5,298

ATTACHMENT B: Basic Power Indicators of Bosnia and Herzegovina

(GWh)

Year 2011	EP BIH	ERS	EP HZHB	Komunalno Brčko	BIH
Generation in hydro power plants	1,113.63	1,817.09	1,395.40		4,326.12
Generation in thermal power plants	6,138.01	3,449.76			9,587.77
Generation in small and industrial PPs	100.82	28.61	6.60		136.04
Generation	7,352.47	5,295.46	1,402.00		14,049.93
Distribution consumption	4,284.17	3,556.16	1,363.04	271.71	9,475.08
Transmission losses					324.17
Large customers	417.17	124.08	2,216.62*		2,757.87
Pumping and mines consumption		14.23	21.22		35.45
Consumption	4,701.34	3,694.47	3,600.88	271.71	12,592.57
* Including the amount of 876.00 GWh which the "Aluminij" Company purchased as an eligible customer					
Year 2010	EP BIH	ERS	EP HZHB	Komunalno Brčko	BIH
Generation in hydro power plants	2,094.61	3,246.91	2,604.67		7,946.20
Generation in thermal power plants	5,012.79	2,856.00			7,868.80
Generation in small and industrial PPs	182.77	62.11	8.54		253.41
Generation	7,290.17	6,165.02	2,613.21		16,068.40
Distribution consumption	4,232.92	3,522.19	1,367.75	277.35	9,400.21
Transmission losses					337.95
Large customers	371.43	110.26	2,030.80*		2,512.49
Pumping and mines consumption		12.96	2.21		15.17
Consumption	4,604.35	3,645.41	3,400.76	277.35	12,265.82
* Including the amount of 1068.48 GWh which the "Aluminij" Company and BSI purchased as eligible customers					
Year 2009	EP BIH	ERS	EP HZHB	Komunalno Brčko	BIH
Generation in hydro power plants	1,631.23	2,577.36	1,939.82		6,148.41
Generation in thermal power plants	5,233.60	2,993.02			8,226.63
Generation in small and industrial PPs	128.39	52.85	5.24		186.47
Generation	6,993.22	5,623.24	1,945.06		14,561.52
Distribution consumption	4,132.46	3,403.46	1,349.97	272.22	9,158.11
Transmission losses					306.46
Large customers	367.30	120.90	1,630.16*		2,118.37
Pumping and mines consumption		14.34			14.34
Consumption	4,499.76	3,538.70	2,980.13	272.22	11,597.28
* Including the amount of 876.00 GWh which the "Aluminij" Company purchased as an eligible customer					
Year 2008	EP BIH	ERS	EP HZHB	Komunalno Brčko	BIH
Generation in hydro power plants	1,478.17	1,931.38	1,355.20		4,764.75
Generation in thermal power plants	5,749.51	3,094.41			8,843.92
Generation in small and industrial PPs	112.60	58.70	4.30		175.60
Generation	7,340.29	5,084.49	1,359.50		13,784.28
Distribution consumption	4,042.65	3,309.06	1,334.09	268.86	8,954.66
Transmission losses					326.50
Large customers	658.42	148.23	2,091.17*		2,897.83
Pumping and mines consumption		14.15			14.15
Consumption	4,701.08	3,471.45	3,425.26	268.86	12,193.15
* Including the amount of 1223.04 GWh which the "Aluminij" Company purchased as an eligible customer					
Year 2007	EP BIH	ERS	EP HZHB	Komunalno Brčko	BIH
Generation in hydro power plants	1,120.10	1,780.31	1,124.09		4,024.50
Generation in thermal power plants	5,365.00	2,607.16			7,972.16
Generation in small and industrial PPs	107.51	66.94	4.01		178.46
Generation	6,592.61	4,454.41	1,128.10		12,175.12
Distribution consumption	3,809.38	3,109.09	1,307.60	257.02	8,483.09
Transmission losses					312.00
Large customers	549.36	156.77	2,045.37*		2,751.50
Pumping and mines consumption		45.11	10.86		55.97
Consumption	4,358.74	3,310.97	3,363.83	257.02	11,602.56
* Including the amount of 547.78 GWh which the "Aluminij" Company purchased as an eligible customer					

