

Pursuant to Article 4.2, 4.7 and 7 of the Law on Transmission, Regulator and System Operator of Bosnia and Herzegovina ("Official Gazette of BiH", no. 7/02, 13/03, 76/09 and 1/11), Article 33 of the Rule of Practice and Procedure of SERC ("Official Gazette of BiH", no. 2/05) and Article 16 and 28 of the Licensing Rule ("Official Gazette of BiH", no. 38/05), the State Electricity Regulatory Commission, at the session held on 3 July 2012, rendered

DECISION

ON ISSUANCE OF LICENSE FOR THE ACTIVITY OF THE INDEPENDENT SYSTEM OPERATOR

1. The license shall be issued to the "Independent System Operator in Bosnia and Herzegovina" Sarajevo for the performance of the independent system operator activity.
2. The license from Item 1 of this decision shall be issued for the period from 12 July 2012 to 11 July 2019.
3. Licensing Conditions for performance of the ISO activity shall be part of the license.
4. This decision shall come into force on the day of issuance and shall be published in the "Official Gazette of BiH" and official gazettes of the Entities.

Statement of Rationale

The "Independent System Operator" Sarajevo (hereinafter: the applicant), a non-profitable company established in accordance with the Law Establishing an Independent System Operator for the Transmission System of Bosnia and Herzegovina ("Official Gazette of BiH", no. 35/04, hereinafter: the ISO Law), with competences and powers as determined by Article 2 and 7 of this Law and Article 5.2 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina ("Official Gazette of BiH", 7/02, 13/03, 76/09 and 1/11, hereinafter: the Law on Transmission) is the holder of a license for performance of the independent system operator activity which is entered into the License Register of this Commission under the registration number: 05-28-007-16/06 of 28 June 2007 expiring on 11 July 2012.

Pursuant to Article 28 of the Licensing Rule ("Official Gazette of BiH", no. 38/05), no later than 180 days before the expiry of a temporary license, the licensee shall be obligated to file an application for the issuance of a new license. The licensee did this in this context by filing the application received under number: 05-28-12-30/12 of 25 January 2012. This application shall be decided upon pursuant to SERC internal rules and regulations and Article 7 of the Law on Transmission.

The application is submitted in a timely manner, on the prescribed forms with a proof of previously paid application fee and relevant documents which, enclosed to the application or submitted to SERC later upon a SERC request, enabled SERC to understand, consider and decide upon the filed application. In this context, pursuant to Article 8, paragraph 2 of the Licensing Rule, SERC informed the applicant accordingly by its act number: 05-28-12-30-5/12 of 15 March 2012.

Having reviewed and checked all the formal elements of the application, SERC addressed the application. First of all in accordance with its obligation from Article 10 of the Licensing Rule, on 21 March 2012 SERC published a public notice in daily newspapers and on its web site, summarizing the application and determining the deadline for submitting public comments on the filed license application and filing applications for intervener status until 5 April 2012.

SERC concludes that no comments on the application filed for the issuance of the license have been submitted nor has any person expressed the interest to participate in the procedure in the capacity of the intervener upon the SERC public invitation.

The applicant fulfills indisputably all the criteria, conditions and standards prescribed by law and SERC rules and regulations to perform the independent system operator activity. Its technical, legal and financial capabilities had been constantly proven during all previous years during which the applicant was proving that it was performing the independent system operator activity in accordance with the Law on Transmission, Regulator and System Operator of Bosnia and Herzegovina, complying with all applicable international documents accepted by the relevant BiH authorities, respecting the Market Rules and Grid Code, technical and commercial standards, treating market participants in a fair and non-discriminatory manner, without conducting any non-competitive activities, without abusing the market power and without manipulating the electricity market, applying the prescribed tariffs in its transactions and paying the regulatory fee regularly.

Monitoring of all aspects of compliance of the applicant's activities with the licensing conditions provided sufficient evidence to SERC to initiate the preparation of the initial version of the Licensing Conditions for the Performance of the independent system operator activity which was made available to the applicant as well as all other interested members of the public as of 16 May 2012, who were also provided with an opportunity to give their comments during a general hearing held on 23 May 2012 at the SERC seat in Tuzla.

The applicant used this opportunity to submit the relevant suggestions, remarks, comments and opinions under number 05-28-12-30-16/12 of 21 May 2012 as a contribution to further adjustment of the rights and obligations of the independent system operator institution to requirements of the national and international electricity legislation and practice while fulfilling its role, function and authorities with regard to the transmission system in BiH.

The applicant's comments, which also had been discussed at the aforementioned general hearing, were included to a significant extent in the final version of Licensing Conditions

for Performance of the Independent System Operator Activity, which was submitted to the applicant together with a proposal to grant the license to the applicant, through SERC act number: 05-28-12-30-19/12 of 31 May 2012. As the applicant did not submit any new comments by the given deadline of 8 June 2012, it was reasonable to conclude that the applicant finds that the proposal is made in accordance with the applicable laws and secondary legislation of Bosnia and Herzegovina regulating the subject matter.

Respecting the provision of Article 2 of the ISO Law which explicitly reads that after the establishment of the ISO, no power, or any other company or body shall have jurisdictions or authorities over the activities which are vested in the ISO by this Law, and after the status review of all components of relevance for granting of the license showed convincing indicators that the applicant has ensured resources, organized conditions and established professional standards to continue to perform the same activity in a successful manner, as well as on the basis of all aforementioned facts, it has been decided as given in the statement of this decision.

Pursuant to Article 9.2 of the Law on Transmission, Regulator and System Operator of Bosnia and Herzegovina, proceedings may be initiated before the Court of Bosnia and Herzegovina by filing a lawsuit within sixty (60) days from the day of publishing this decision.

No: 05-28-12-30-20/12
3 July 2012
Tuzla

Chairman of the Commission
Milorad Tuševljak