

On the basis of article 4.3 of the Law on Transmission, Regulator and Operator of Electric Power System in BiH ("Official Gazette of BiH" no. 7/02), the State Electricity Regulatory Commission of Bosnia and Herzegovina, at its session held on September 29, 2003, approved the

STATUT

OF THE STATE ELECTRICITY REGULATORY COMMISSION OF BOSNIA AND HERCEGOVINA

I GENERAL PROVISIONS

Article 1

The State Electricity Regulatory Commission of Bosnia and Herzegovina is founded and performs its authorities in accordance with the Act on Transmission, Regulator and Operator of Electric Power System in BiH ("Official Gazette of BiH" no: 7/02), (hereinafter: Act on Transmission).

Article 2

The title of the Commission is State Energy Regulatory Commission.

The State Electricity Regulatory Commission may be abbreviated as SERC.

The SERC has the character of a legal person with rights, obligations and responsibilities as determined with the Act on Transmission and this *Statut*.

The headquarters of the SERC shall be in Tuzla.

The SERC is a non-profit making institution and independent in conducting its activities.

The SERC is liable for contractual obligations that result from the performance of its authorities.

Article 3

The provisions of this *Statut* regulate the:

1. authorities and organization of SERC
2. manner of operations of the SERC
3. financing the work of the SERC
4. transparency of the work of the SERC
5. protection of confidential information
6. process for amendments to the *Statu*, and
7. other issues relating to the exercise of the authorities of the SERC.

II ORGANIZATION OF THE WORK OF THE SERC

Article 4

The activities from the competencies and authorities of the SERC shall be professional operations relating to rulemaking, licensing, record-keeping, monitoring and development of the electricity market, supervision of regulated companies, and cooperation with related domestic and international organizations, and other activities noted in Article 4.2 of the Transmission Act.

The activities from the Paragraph 1 of this Article shall be conducted by organizational units.

Article 5

The SERC has the following general organizational units:

1. Tariff and market department
2. Licensing and engineering department
3. Finance and administrative department
4. Legal department
5. Office of the Chief of Staff

In addition to, or as a replacement for, these organizational units, the Commissioners may designate other permanent or temporary organizational units in order to better carry out the SERC's activities.

Article 6

The Tariff and Market Department is responsible for the following operations:

1. approving, monitoring and enforcing tariffs and tariff methodologies for transmission and regulation of ancillary services;
2. establishment, monitoring and enforcement of rules related to fair and non-discriminatory third party access to the transmission network;
3. monitor and propose regulations to encourage the development and maintenance of competitive markets, and prevention and punishment of any anti-competitive conduct;
4. consumer protection to ensure fair and non-discriminatory treatment, provision to customers of high-quality services and the benefits of competition as well as the prevention of anti-competitive activity;
5. development of rules and regulations pertaining to tariffs and the market, including, but not limited to, revision and approval of market rules prepared by the ISO; and
6. approving mechanisms to deal with congested capacity within the electricity transmission system.

The Licensing and Engineering Department is responsible for the following operations:

1. issuance, modification, suspension and revocation of licenses, as well as the monitoring and enforcement of compliance with license requirements;
2. development of regulation of standards of service, codes of conduct and accounting requirements for licensees;

3. monitoring, and as necessary, approval of the activities of the ISO, including the efficiency of mechanisms and methods to secure a system balance between demand and supply of electricity;
4. establishing, monitoring and enforcing quality standards for electricity transmission and ancillary services;
5. development of rules and regulations pertaining to grid codes as prepared by the ISO, and terms and conditions for connection and access to network;
6. monitoring and enforcement of conditions related to international trade in electricity, including, but not limited to, compliance with international technical requirements; and
7. coordinating and approving investment plans of the Transmission Company for transmission of electric energy, including those plans related to the transmission network and the quality of electricity transmission.

The Finance and Administrative Department is responsible for:

1. development of proper financial control procedures;
2. preparation of the draft SERC budget;
3. preparation of required financial reports;
4. management and administration of all SERC operational activities, including, but not limited to, staffing, physical office space, contract services and other office support; and
5. creation and maintenance of a data collection methodology as feasible for all network users and regulatory commissions in order to assure a common database for single transmission market.

The Law Department is responsible for the following operations:

1. assist in the development of regulations and legal practice before the SERC;
2. participate in the drafting of SERC decisions and rules;
3. providing advice and counsel to the Commissioners and SERC Staff to enable compliance with applicable law;
4. represent the SERC in all administrative and judicial proceedings; and
5. perform other legal operations for the SERC and for the other professional departments of the SERC.

The Chief of Staff is responsible for the following operations:

1. accomplishment of the substantive regulatory objectives;
2. ensure that the ongoing work of SERC departments is coordinated and will meet the objectives in a timely manner;;
3. oversight of all SERC departments;
4. direct oversight of all heads of organizational units and their substantive work, except for the Legal Department which shall report directly to the SERC and coordinate with the Chief of Staff.
5. oversight of the SERC meeting agendas and record-keeping; and

Article 7

The heads of such Departments outlined in Article 5 shall report to the Chief of Staff.

Other than the Legal Department, which reports directly to the SERC, general organizational units pursuant to Article 5 of this *Statut* are directed by the Office of Chief of Staff.

Article 8

The SERC shall adopt more detailed rules for the internal organization of the SERC in the Book of Regulations on Internal Organization and Systematization of Tasks and Activities.

The SERC shall adopt other general acts for the regulation of operation, salaries and compensations.

Article 9

The SERC has its seal, which has a circular shape with dimensions of 50 and 30 mm. The seal in a circular shape includes the text written on Latin and Cyrillic alphabet: Bosnia and Herzegovina, State Energy regulatory Commission, Tuzla and in the middle of the seal there is BiH coat of arms and the ordinal number of the seal under the coat of arms.

The SERC has a stamp that serves for internal office operations.

SERC also has an affixing seal, which has a dimension of 15 mm. The affixing seal contains text identical to that on the seal.

The method of use, keeping and protection of the seal, stamp and affixing seal is regulated through an act of the SERC in accordance with the Law on Seal of Institutions of Bosnia and Herzegovina.

Article 10.

The SERC has a bank account.

III METHOD OF WORK AND MANAGEMENT OF THE SERC

Article 11

The SERC consists of three Commissioners, who elect a Chairman annually from among the Commissioners, according to article 4.6 of the Transmission act.

Sessions of the SERC are held at least once every 30 days.

The Chairman of the SERC convenes and chairs the sessions.

The Chairman is obliged to convene a session of the SERC on the request of any of the other two Commissioners.

Article 12

All final decisions of the SERC shall be made in public sessions of the SERC, except the decisions which are related to internal organization of SERC, which will be further regulated according to Article 8 of this *Statut*.

The public sessions of the SERC shall be open to attendance by the public. During the course of a public session, the SERC may convene in an executive session? when necessary to

protect confidential information or trade secrets, as well as in other cases defined by the Rules of Work of the SERC.

The Commissioners may also meet in internal meetings, not open to the public, but official acts and decisions may not be made in internal meetings. The purpose of internal meetings is to improve the efficiency and quality of the SERC's work.

The SERC shall issue Rules of Practice and Procedure to regulate the basic procedures and practice before the SERC, as well as Rules of Work for the substantive areas of SERC authorities and responsibilities as determined by the provisions of Article 4.2 of the Act on Transmission.

Article 13.

The SERC can hold public sessions with only one Commissioner present. However, no final decision or vote of the SERC can occur unless all three Commissioners are present. A Commissioner is considered to be present on a conference call as provided in paragraph 2 of this Article.

Under extenuating circumstances, a Commissioner may attend a public session by conference call if he is not able to attend the meeting in person, and such attendance shall be considered to be attendance for the purpose of hearing public testimony and voting.

The SERC shall make all final decisions through unanimous decision with every Commissioner, including the Chairman, having one vote.

In case that the Members of SERC can not reach a unanimous decision, the dispute issue shall be given in arbitration process.

The SERC shall by special act regulate the election of arbitration Commission or one single arbiter, as well as the manner of arbitration decision making, according to article 4.7 of the Act on Transmission.

The Chairman, or his temporary designee, must be present at every session.

Article 14.

The Commissioners shall enact general and single acts.

General acts of SERC shall be the *Statut* and other general acts which are essential for SERC operation and which are established according to the Act on Transmission and other regulations.

By a single act SERC shall decide upon internal administrative matters, provide the systemization of jobs, decide upon rights, liabilities, and responsibilities of the employees, and upon other questions concerning SERC governance.

Single acts which are created by SERC competence shall be final.

A party may appeal from a final decision of the SERC by filing a judicial appeal with the Court of BiH in accordance with Article 9.2 of the Act on Transmission.

Article 15.

SERC general acts shall be published in the "Official Gazette of BiH" as well as in the Entity Official Gazettes. SERC shall submit its general acts to the entity official gazettes written on languages which are official languages of those gazettes.

Article 16

The SERC shall in preparation process for passing of general acts by which SERC defines its regulatory activities, ask for public opinion.

The results of the mentioned activities make a basis for proposal of acts from paragraph 1 of this Article.

Article 17

The Chairman directs the work of the SERC.

The Chairman of the SERC:

1. signs SERC acts;
2. represents the SERC with other institutions and regulated companies;
3. convenes SERC sessions and chairs their work; and
4. supervises the implementation of SERC resolutions.

The Chairman of the SERC may designate another Commissioner to temporarily perform some or all of the Chairman's duties.

Article 18

The Commissioners have an equal right and obligation to participate in the work on the promulgation and implementation of the SERC's final rules, decisions, instructions, orders, advisory rulings and acts.

A Commissioner has the right to propose the consideration of certain issues at SERC sessions.

The SERC must make a decision on a proposal which is submitted by one of the Commissioners no later than 30 days after SERC has received the proposal.

A Commissioner has the right and obligation to be regularly informed on all issues relating to the work of the SERC.

Article 19

A Commissioner is obliged to perform his/her function conscientiously and to maintain the integrity of the SERC.

The SERC shall establish a Code of Ethics to guide the Commissioners and SERC Staff in their work.

A Commissioner may not use his/her work in the SERC, nor its integrity in realizing personal and other gains contrary to the law and the SERC's Code of Ethics.

IV FINANCING THE WORK OF THE SERC

Article 20

The SERC is financed by fees realized from SERC activities, in accordance with the financial plan of the SERC.

The SERC shall submit its annual budget for the following year to the State Parliament for comment by December 1 of each year.

The SERC shall submit its annual activity report for the prior year to the State Parliament and to the respective Ministry by December 31 of each year.

The SERC shall assure that the annual financial statements of the Company are prepared in accordance with international accounting standards and are audited by an independent third party accountant or accounting firm.

V TRANSPARENCY OF THE WORK OF THE SERC

Article 21

The SERC shall publish its budget and annual business report annually.

The SERC shall strive to assure that its acts are easily accessible by the public for review.

Article 22

The SERC can issue special publications, newsletters, bulletins and create a web page with the purpose of informing the public on its work.

Article 23

The SERC may seek informal public input during the development of draft rules and regulations. The SERC shall give prompt formal public notice of the opportunity for public comment on draft rules prior to adopting final rules.

VI CONFIDENTIAL INFORMATION

Article 24

Confidential information is considered to be documents and information that, if disclosed, could damage the interests and the integrity of the SERC, natural or legal persons.

The provision of information contained in confidential documents and information to the Parliamentary Assembly of BiH or to other competent institutions through reports approved by the SERC for disclosure is not considered to be disclosing confidential information.

Article 25.

All Commissioners, employees, associates and members of advisory bodies of the SERC must safeguard confidential or privileged information that they access in the performance of their duties or tasks in the SERC, consistent with the rules of the SERC. Such information is considered a business secret.

Article 26

The SERC shall issue rules addressing the protection of confidential information establishing the procedures for defining confidential information and the protection of documents and information that are defined as confidential.

VII AMENDMENTS TO THE *STATUT*

Article 27

Amendments to the *Statut* can be proposed by any of the Commissioners.

SERC can discuss and make a decision on the amendments of the *Statut*, in the manner and under the procedure described in article 18 of this Statut.

Article 28

Amendments to the *Statut* must be passed by unanimous decision of all Commissioners.

VIII TRANSITIONAL AND CLOSING PROVISIONS

Article 29

The SERC may provide an interpretation of the *Statut* in the event of ambiguity or disagreement concerning its application.

Article 30

The master copy of the *Statut* is the copy that is adopted by the SERC, signed by the Chairman of the SERC and verified with the seal of the SERC.

The master copy of the *Statut*, as well as amendments to it are bound and kept in a special book (cover).

Article 31

The SERC will pass regulations pursuant to Articles 8 through 13 than article 19. as well as Article 26 of this *Statut*, within a period of 90 days as of the coming into effect of this *Statut*. Until such time, the Chairman of the SERC is authorized to temporarily supervise such matters.

Article 32

This *Statut* comes into effect the next day following the day of its publication in the “Official Gazette of BiH”.

Chairman of the SERC

Vladimir Dokić