

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 and 13/03), Article 33 of the Rule of Practice and Procedure of SERC ("Official Gazette of BiH", no. 2/05) and Article 16 and 38 of the Licensing Rule ("Official Gazette of BiH", no. 38/05), the State Electricity Regulatory Commission, at its session held on June 28, 2007, rendered

DECISION
ON ISSUANCE OF LICENSE FOR THE ACTIVITY OF ELECTRICITY
TRANSMISSION

1. The license shall be issued to the "Elektroprijenos Bosne i Hercegovine" Stock Company Banja Luka for the performance of the electricity transmission activity.
2. The license from Item 1 of this decision shall be issued for the period from July 1, 2007 to January 31, 2013.
3. Licensing Conditions for performance of the electricity transmission 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

"Elektroprijenos Bosne i Hercegovine" Stock Company Banja Luka (hereinafter: the Company) is established in accordance with the Law Establishing the Company for Transmission of Electric Power in Bosnia and Herzegovina ("Official Gazette of BiH", no. 35/04) and its activity is electricity transmission and all activities concerning electricity transmission, including, but not limited to electricity transmission, maintenance, construction and expansion of the electricity transmission network in Bosnia and Herzegovina.

Since February 1, 2006 the Company has been a user of the *temporary license* for the performance of the electricity transmission activity, registration number: 05-28-247-15/05 issued for the period of two years. Fulfilling its obligation in accordance with Article 38 para 2 of the Licensing Rule ("Official Gazette of BiH", no. 38/05) to apply with SERC for the license which replaces the temporary license within six months from the day of the registration in the Register of Legal Persons, in this context the Company filed the application under no.: 05-28-323/06 of November 1, 2006. The application is filed on the forms prescribed by SERC.

Pursuant to Article 7 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina ("Official Gazette of BiH", no. 7/07 and 13/03), a SERC license is required for the electricity transmission activity, while the applicant is obligated to meet conditions and criteria for obtaining of the license which are determined by SERC rules and regulations.

Pursuant to Article 8 of the Licensing Rule, SERC determined that the filed application was complete, accepting the Company's statement no.: 04-2757/06 according to which the "Plan for Construction of New Facilities and Major Reconstruction of the Existing Ones for the Following Three Years" would be completed by the end of November 2006, and subsequently submitted to SERC during the procedure, as well as the notice provided by the letter of November 16, 2006 on the additionally determined initial capital balance of the Company according to which the Company is obligated to make relevant changes of the data recorded in the register.

Having reviewed and checked all the documents with regards to their formal elements, SERC was able to address the application. First, in accordance with its obligation from Article 10 of the Licensing Rule, on December 14, 2006 SERC published a public notice in daily newspapers and on its internet site summarizing the license application and determined the deadline for the submission of public comments on the filed license application and of applications for the intervener status by December 29, 2006.

SERC concluded that there were no comments on the application filed for the issuance of the license nor did any person express his/her interest to participate in the procedure in the intervener capacity.

SERC verified correctness of the data, documents and information enclosed to the application, and established that they were correct and complete and provided sufficient evidence on technical, legal, financial, organizational, personnel and other possibilities, capacities and abilities of the applicant to fulfill of the criteria, conditions and standards prescribed by law and SERC rules and regulations for issuance of the license. Therefore, SERC prepared *the Draft Licensing Conditions for Usage of the License for Performance of the Electricity Transmission Activity*.

As of June 6, 2007 this document has been available to the applicant as well to any other interested member of the public, and they were also given an opportunity to give their comments at the general hearing held on June 14, 2007 at the SERC seat in Tuzla. At the hearing the Company gave the comments which had been subsequently considered, and by its letter no: 05-28-323-13/06 of June 19, 2007 SERC submitted to the applicant the Report on the General Hearing and the Proposal of the Licensing Conditions in accordance with Article 16 of the Licensing Rule.

SERC enabled the applicant to provide its final comments on these documents as well by June 26, 2007. By its act no.: 01-3386/07 of June 25, 2007 the applicant confirmed the Proposal of the Licensing Conditions in accordance with Article 16 of the Licensing Rule.

In accordance with the aforementioned, it has been decided as described in the disposition of the 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: 05-28-323-15/06

June 28, 2007

Tuzla

Chairman of the Commission

Vladimir DOKIĆ, M.A.