

Pursuant to Article 4.8 of the Law on Transmission of Electric Power, Regulator, and System Operator in Bosnia and Herzegovina ("Official Gazette of BiH", number 7/02 and 13/03), Article 6 and 7 of the Rule on Tariff Proceedings ("Official Gazette of BiH", number 44/05), deciding upon the application of "Independent System Operator in Bosnia and Herzegovina" number: 33/07 of October 29, 2007, at its session held on December 19, 2007, the State Electricity Regulatory Commission issued

DECISION

ON DETERMINATION OF TARIFFS FOR ANCILLARY SERVICES

Article 1

(Subject)

By this Decision the State Electricity Regulatory Commission (SERC) shall determine tariffs for ancillary services in the power sector of Bosnia and Herzegovina.

Article 2

(Primary Frequency and Capacity Regulation)

Primary regulation of frequency and capacity is an ancillary service provided by the generation units at their own expense (free of charge).

Article 3

(Secondary Frequency and Capacity Regulation)

- (1) The tariff set for ancillary services of capacity reserve for secondary frequency and capacity regulation shall amount 10.579KM/kW and the financial scope of this service set for 2008 shall amount 6,167,557 KM.
- (2) "The Independent System Operator in Bosnia and Herzegovina" (ISO BiH) shall administer the procedure for purchase of the ancillary service of secondary regulation from the owners of licenses for electricity generation, i.e. from the public utilities comprising generation units which are obligated to provide the mentioned scopes of capacity for provision of the ancillary service, in accordance with the following schedule:

| Month | Monthly amount required | HE Jablanica | HE Rama |
|-----------|-------------------------|--------------|---------|
| | MW | MW | MW |
| January | 55 | 30 | 25 |
| February | 53 | 30 | 23 |
| March | 51 | 30 | 21 |
| April | 48 | 30 | 18 |
| May | 44 | 30 | 14 |
| June | 43 | 30 | 13 |
| July | 43 | 30 | 13 |
| August | 44 | 30 | 14 |
| September | 45 | 30 | 15 |
| October | 48 | 30 | 18 |
| November | 52 | 30 | 22 |
| December | 57 | 30 | 27 |

- (3) When providing ancillary services, public utilities can also nominate other generation units pursuant to Article 25 of the Market Rules.
- (4) Until the realization of technical preconditions for billing, energy delivered through the secondary regulation regime shall be treated (compensated) through billing and compensation of unwanted deviations.

Article 4

(Tertiary Frequency and Capacity Regulation)

- (1) The tariff set for ancillary services of capacity reserve for tertiary regulation of frequency and capacity shall amount 6.00KM/kW and the financial scope of this service set for 2008 shall amount 18,000,000 KM.
- (2) The tariff set for electricity delivered through the tertiary regulation regime shall amount 23.28 pf/kWh as three-time increased electricity price of the most expensive generating unit in the system.
- (3) ISO BiH shall administer the procedure for purchase of the ancillary service of tertiary regulation from the owners of licenses for electricity generation, i.e. from the public utilities comprising generation units which are obligated to provide the mentioned scopes of capacity for provision of the ancillary service, in accordance with the following schedule:

| Month | Monthly amount required | HE Čapljina | HE Salakovac | HE ERS |
|-----------|-------------------------|-------------|--------------|--------|
| | MW | MW | MW | MW |
| January | 250 | 120 | 50 | 80 |
| February | 250 | 120 | 50 | 80 |
| March | 250 | 120 | 50 | 80 |
| April | 250 | 120 | 70 | 60 |
| May | 250 | 120 | 90 | 40 |
| June | 250 | 120 | 80 | 50 |
| July | 250 | 120 | 50 | 80 |
| August | 250 | 120 | 50 | 80 |
| September | 250 | 120 | 70 | 60 |
| October | 250 | 120 | 50 | 80 |
| November | 250 | 120 | 50 | 80 |
| December | 250 | 120 | 50 | 80 |

- (4) When providing ancillary services of tertiary regulation, public utilities can also nominate other generation units pursuant to Article 33 of the Market Rules.
- (5) ISO BiH shall be obligated to identify users who pay for electricity delivered through the tertiary regulation regime.
- (6) If it is not possible to engage the agreed tertiary reserves, ISO BiH can also purchase tertiary energy from other entities at the expense of the supplier that has not provided the service.

- (7) The duration of one-off utilization of tertiary reserve can last up to eight hours from the moment of its engagement pursuant to an ISO BiH order. Tertiary reserve can be used at most four times within one month.

Article 5

(Regulation of Voltage and Reactive Power)

Regulation of voltage and reactive power is an ancillary service provided by the generation units at their own expense (free of charge).

Article 6

(Black-start)

Black start is an ancillary service provided by the generation units at their own expense (free of charge).

Article 7

(Excessive Take-on of Reactive Power)

- (1) The tariff set for excessive take-on of reactive power from the transmission network shall amount 0.951 pf/kvarh.
- (2) The tariff for excessive take-on of reactive power shall be paid by eligible customers connected to the voltage of 110kV and higher.

Article 8

(Total Tariff for Secondary and Tertiary Regulation)

- (1) Based on an annual amount required for the purchase of the services of secondary regulation (capacity) and tertiary regulation (capacity) in the total amount of 24,167,557 KM and the total energy of 11,045,616,075 kWh to be taken over from the transmission network in 2008, a total tariff for secondary and tertiary regulation is determined in the amount of 0.2188 pfennig/kWh.
- (2) Users of the services from the previous paragraph shall be all licensed entities which take over electricity from the transmission network (license owners for electricity distribution, the body competent for electricity distribution in Brčko District of Bosnia and Herzegovina and eligible customers).

Article 9

(Contracting and Billing)

- (1) ISO BiH and ancillary service providers shall be obligated to conclude contracts on the provision of ancillary services.
- (2) ISO BiH shall prepare bills for all ancillary services on a monthly basis. Bills shall include all elements required by service providers for delivery of appropriate invoices (users of services, physical and financial scope of services etc.) The bills determined in this manner shall be part of ISO BiH monthly reports which shall be submitted to SERC and service providers and users.

Article 10
(Tariff Modifications)

SERC shall be entitled to modify the tariffs for ancillary services in accordance with the dynamic schedule of the Market Rules implementation.

Article 11
(Final Provisions)

- (1) This Decision shall enter into force on the day of its issuance, and it shall be applied as of January 1, 2008 and published in the “Official Gazette of BiH” and the official gazettes of the entities and Brčko District of Bosnia and Herzegovina.
- (2) The Decision with rationale shall be distributed to the applicant and interveners in the tariff proceedings and shall be published on the SERC web site no later than 30 days after its issuance.

Reference number: 04-28-395-40/07

December 19, 2007

Tuzla

Chairman of the Commission

Mirsad Salkić