

Pursuant to Article 4.2 of the Law on Transmission of Electric Power, Regulator, and System Operator in Bosnia and Herzegovina (Official Gazette of BiH, 7/02, 13/03, 76/09 and 1/11) and Article 28d of the Tariff Pricing Methodology for services of electricity transmission, operation of ISO and ancillary services – Consolidated Text (Official Gazette of BiH, 93/11 and 61/14), at the session held on 28 June 2016, the State Electricity Regulatory Commission adopted

DECISION

ON AMENDMENTS TO THE DECISION ON TARIFFS FOR SYSTEM AND ANCILLARY SERVICES

Article 1

Paragraph (1) of Article 2 of the Decision on tariffs for system and ancillary services (Official Gazette of BiH, 2/16 shall be amended to read:

“The tariff for system service shall be set to the amount of 0.3761 fening/kWh”.

Article 2

The Decision shall enter into force on the day of the adoption while it shall be applied as of 1 July 2016.

The statement of the Decision shall be published in the Official Gazette of BiH and official gazettes of the Entities and Brčko District of BiH.

Statement of Rationale

The tariff proceedings for determination of system and ancillary services were conducted through the tariff proceedings initiated at the request of the Independent System Operator in Bosnia and Herzegovina (hereinafter: the ISO BiH), number: 34/15 of 30 October 2016 while the decision on adopted on 29 December 2015.

Calculation of the revenue requirement for purchase of ancillary services was done based on the offers and outcome of completed tendering procedures conducted by the ISO BiH as well as an estimate of missing capacity for 2016. It was pointed out then that as a new model of purchasing ancillary services and providing the system service was introduced in practice in the power sector of Bosnia and Herzegovina, SERC would continuously monitor the implementation of this decision and rules governing this field.

After five month of implementing the new BiH power system balancing model, there arose the need to adapt the system service taking into account the scope of costs for purchase of ancillary services during this period and an estimate for the remaining period until the end of the year. The projected and realised costs for purchase of ancillary services in the period January-May 2016 are presented in the table below:

Service	Projected costs (KM)	Realised costs (KM)	Difference (KM)	%
1	2	3	4=2-3	5=3/2
Secondary reserve	5 439 173	3 620 752	1 818 421	66.6

Upward tertiary reserve	5 943 200	4 407 790	1 535 410	74.2
Downward tertiary reserve	279 000	209 561	69 439	75.1
Energy for covering of losses	12 450 710	11 613 180	837 530	93.3
Total	24 112 083	19 851 282	4 260 800	82.3
Compensation*		-2 878 212	2 878 212	
Total including compensation	24 112 083	16 973 071	7 139 012	70.4

* Due to deviations of the BiH regulation area in the direction of surplus, energy in the amount of 35.6 GWh was received from the SHB regulation block through compensation programs

The costs of secondary and tertiary reserve and energy for covering of losses in the transmission system amounted to 19.85 million KM, which is 4.26 million KM or 17.7% less than planned. In addition, 35.6 GWh of energy worth 2.88 million KM was received through compensation programs, giving a total of 7.14 million KM. A total surplus on the account for all services amounted 9.45 million KM, while the difference of 2.31 million KM pertains to the incomes exceeding the projected ones due to energy withdrawals from the transmission system which exceeded those planned by the Power balance in the transmission network for 2016 by 56.5 GWh, then, penalising the entities which provided services in the scope lower than contracted, energy used at 110kM facilities supplied by the supplier EP HZHB and the financial balance pertaining to deviation of balance responsible parties and delivered energy for regulation.

As the costs of purchasing ancillary services of secondary and tertiary reserve and energy for covering of losses in the transmission system were lower than the projected ones, in addition to compensation for unintended deviations of the BiH regulation area, as a value which cannot be reliably projected, which was conducive to cost reduction, the tariff for system service was adapted to a new value of 0.3761 fening/kWh. In this manner, a balanced ratio of incomes based on the tariff for system service and expenditures incurred on purchase of ancillary services will be provided.

SERC is going to continue to monitor developments in the market and address adaptation of the system tariff on a needs basis.

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28 June 2016

Tuzla

Chairman of the Commission

Milorad Tuševljak