

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, 7/02, 13/03, 76/09 and 1/11) and Articles 6, 7 and 9 of the Rule on Tariff Proceedings (Official Gazette of BiH, 44/05), deciding upon the application of the Independent System Operator in Bosnia and Herzegovina, number 29/24 of 30 October 2024, at its session held on 26 December 2024, the State Electricity Regulatory Commission passed a

DECISION

1. It is determined that the annual revenue requirement of the Independent System Operator in Bosnia and Herzegovina in 2025 shall amount to BAM 13,079,272.
2. The tariff for operation of an independent system operator shall be set to an amount of:
 - 0.0084 fening/kWh, which is paid by generators for electricity injected into the transmission system, and
 - 0.1092 fening/kWh, which is paid by customers for electricity withdrawn from the transmission system.
3. The annual revenue requirement for 2025 is approved in accordance with the breakdown and amounts as given in the third column of the following table:

Description	2025 <i>requested</i>	2025 <i>approved</i>	Index <i>(3/2)</i>	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	
Costs of material	89,500	70,000	0.782	
Costs of energy sources and utilities	149,000	128,000	0.859	
Costs of services	3,651,149	2,899,449	0.794	
Employees' gross salaries and allowances	6,000,000	5,800,000	0.967	
Depreciation	2,556,705	2,285,471	0.894	
Financial costs	368,946	338,946	0.919	
Travel costs	185,000	180,000	0.973	
Other taxes and charges	44,000	44,000	1.000	
Other expenditures	1,471,000	1,453,000	0.988	
A. Total costs and expenditures	14,515,300	13,198,866	0.909	
1. Surplus revenue	228,623	115,000	0.503	
2. Surplus expenditure				
3. Other revenues	234,594	234,594	1.000	
B. Revenues based on electricity (A+1–2–3)	14,509,329	13,079,272	0.901	
C. Energy (kWh)	generation	15,496,896,706	15,496,896,706	1.000
	consumption	10,365,919,226	10,775,919,226	1.040
D. Tariff (fening/kWh)	generators	0.0094	0.0084	0.901
	customers	0.1260	0.1092	0.867

4. Upon the expiry of each calendar month, the Independent System Operator in Bosnia and Herzegovina and Elektroprenos Bosne i Hercegovine, in cooperation with licence holders for electricity distribution, customers directly connected to the transmission system and licence holders for electricity generation in possession of generation facilities connected to the transmission system, including facilities put into trial operation, shall be obligated to prepare a report on energy volumes at all points of injection into, as well as withdrawal from the transmission system.

5. On the basis of the report referred to in point 4 of this decision, services of an independent system operator for customers connected to the transmission system and customers connected to the distribution system shall be billed to their suppliers and the distribution system operator (DOS), that is, legal person within which DOS operates, respectively. Services of an independent system operator for a generator injecting and/or withdrawing electricity into/from the transmission system shall be billed to the licensed generator, that is, legal person within which the generator operates.
6. The tariff for the operation of an independent system operator shall not be charged for energy withdrawn in the pumping mode of operation.
7. The tariff set out by this decision shall be used when setting end-customer tariffs/prices in accordance with the structure of tariff elements within individual consumption categories.
8. This decision shall enter into force on the day of the adoption and it shall be applied as of 1 January 2025.

The operative part of the Decision shall be published in the “Official Gazette of BIH” and the official gazettes of the Entities and the Brčko District of Bosnia and Herzegovina.

Statement of Rationale

The Independent System Operator in Bosnia and Herzegovina (hereinafter: the ISO BIH) is one of the regulated entities in the electric power sector with the task to manage the transmission system operation in Bosnia and Herzegovina. The ISO BIH competences and functions have been defined by 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 the Law Establishing an Independent System Operator for the Transmission System of Bosnia and Herzegovina (Official Gazette of BIH, 35/04).

The ISO BIH is a holder of the licence for performance of the activity of an independent system operator pursuant to the Decision of the State Electricity Regulatory Commission (hereinafter: SERC), number 05-28-12-17-19/19 of 27 June 2019 (Official Gazette of BIH, 45/19).

Pursuant to Article 22 of the Tariff Pricing Methodology for services of electricity transmission, an independent system operator and ancillary services – Second consolidated version (Official Gazette of BIH, 68/21), the tariff for operation of an independent system operator is determined on the basis of costs of performance of a regulated activity and a physical scope of services within that activity. Costs of performance of the regulated activity and physical scope of services provided by the regulated entity are determined on the basis of data included in the tariff application. When determining tariffs, SERC may also use additional data if it deems necessary.

While reviewing the tariff application through tariff proceedings, the basic principles prescribing that tariffs should be just and reasonable, non-discriminatory, based on objective criteria and justified costs and set in a transparent manner have to be respected to the maximum extent possible. An applicant seeking approval of a tariff is obligated to prove that the proposed tariff meets all the requirements of BIH laws and SERC rules and regulations.

The tariff proceedings for setting of the tariff for operation of an independent system operator and the tariffs for system service and ancillary services were initiated at the request of the ISO BIH, number 29/24 of 30 October 2024 (received on 31 October 2024 under number 04-28-5-358-2/24).

The following costs and expenditures for 2025 are stated in the ISO BIH application, which was revised with the request for the correction of the cost item of the costs of services and other expenditures (number 09-1760-2/24 of 15 November 2024): costs of material amounting to BAM 89,500, costs of energy sources and utilities amounting to BAM 149,000, costs of services amounting to BAM 3,651,149, employees' gross salaries and allowances amounting to BAM 6,000,000, depreciation amounting to BAM 2,556,705, financial costs amounting to BAM 368,946 BAM, travel costs amounting to BAM 185,000, other taxes and charges amounting to BAM 44,000, and other expenditures amounting to BAM 1,471,000, making a total of BAM 14,515,300 for costs and expenditures.

Furthermore, the ISO BIH asked for approval of a surplus of revenues over expenditures amounting to BAM 228,623 which would ensure funds for investments.

The ISO BIH states that the financial operations in 2025 will be significantly influenced by several factors, in particular emphasising loan repayment, the costs of services incurred by participation in activities and projects of the European Network of Transmission System Operators for Electricity (ENTSO-E), managing of the whole transmission network at 110 kV and higher, and investments for which depreciation funds are not ensured.

The application also includes the planned physical scope of services in the transmission network in 2025, which relies on the data from the Power Balance in the BIH Transmission Network for 2025 according to which the planned delivery of electricity from the transmission system in 2025 amounts to 10,365,919,226 kWh, while planned generation of the power plants connected to the transmission network amounts to 15,496,896,706 kWh.

Following the documentation review, the completeness of the ISO BIH application was confirmed by the SERC Conclusion on initiating tariff proceedings for the operation of an independent system operator and tariffs for system service and ancillary services number 04-28-5-358-3/24 of 6 November 2024, of which the ISO BIH was informed accordingly by the letter number 04-28-5-358-4/24 of 6 November 2024, so it was possible to proceed with the tariff proceedings through evaluation of all submitted proofs with SERC keeping the right to ask for additional data and information if deemed necessary.

The ISO BIH application was resolved by conducting a formal public hearing pursuant to the Rules of Hearing Procedures (Official Gazette of BIH, 38/05), in accordance with the provision in Article 45 thereof, by a short notice in the daily newspapers and on its website SERC informed the public of a summary of the submitted application and the possibility to get familiarised with the application directly and submit comments on the subject of the tariff proceedings in writing, while the entire documentation of the tariff application was published on the SERC website. By the public notice the persons interested to participate in the formal hearing as interveners were also invited and asked to provide the evidence of their interest in writing beforehand, and the formal hearing on the application was announced.

After the submission of requests for intervener status, by its Conclusion number 04-28-5-358-14/24 of 20 November 2024, in order to hear their respective positions and interests SERC granted the status of interveners in the tariff proceedings to the following entities: MH "Elektroprivreda Republike Srpske" Parent Company a.d. Trebinje, JP "Elektroprivreda Bosne i Hercegovine" d.d. Sarajevo, JP "Elektroprivreda Hrvatske zajednice Herceg Bosne" d.d. Mostar and "Metalleghe Silicon" d.o.o. Mrkonjić Grad.

None of the mentioned interveners used the right to have a direct insight into the complete documentation of the tariff application at the SERC premises.

A preliminary hearing on the submitted ISO BIH tariff application was held on 26 November 2024. At the preliminary hearing a list of questions to be discussed at the hearing

was specified and the course of the formal hearing was defined. At the formal public hearing, which was held on 3 December 2024, the parties to the proceeding presented their respective proofs for the purpose of determining all relevant facts. Every question was processed by dividing the questions into thematic groups and by a successive reply of the applicant and comments thereon by the interveners and the Presiding Officer.

The Presiding Officer's report describes the course of the proceeding, offered proofs and established facts, relevant legal provisions and recommendations to the Commissioners (hereinafter: the Commission) and it was delivered to the applicant and the interveners whose status as such was legally acknowledged by SERC. An analysis of costs and revenues as presented in the Presiding Officer's Report confirmed, rejected or adjusted the individual items, values or methods used while preparing the tariff proposal in accordance with the SERC discretionary rights in the tariff proceedings.

The Commission concludes that the Presiding Officer's Report provided reasonable grounds for the Commission to pass its final decision on the tariff for operation of an independent system operator based on the data provided, arguments and explanations as well as the comments of the applicant and the interveners made on the proposal of this report after due consideration and assessment thereof. Regarding the subject-matter of this Decision, JP "Elektroprivreda Bosne i Hercegovine", d.d. Sarajevo in the capacity of intervener provided comments on the Presiding Officer's Report which, essentially, come to the assessment of the Report as fully objective supporting the solutions proposed therein. The ISO BIH focuses on five cost items in its comments, insisting on approval of the costs in accordance with the amounts provided in the tariff application, and expects the Commission to consider their comments with ultimate seriousness and responsibility and accept the facts provided both in the planning documents and in additional replies during the public hearing and their comments on the Report.

When passing a decision for setting of the tariff for operation of an independent system operator, the Commission has to focus its analysis on all elements of the cost structure as pointed out by the applicant, the analysis of costs and revenues as presented in the Presiding Officer's Report as well as on the applicant's and interveners' comments presented during the whole proceedings and pass a decision about the submitted application after a comprehensive analysis. In line with these obligations, the Commission presents the following points of view:

When determining the costs of material, taking into consideration the costs realised in the previous period and the fact that the realisation is lower than the planned value, as well as the slow dynamic of the spare parts procurement, the Commission accepts the Presiding Officer's proposal and finds it reasonable to approve an amount of BAM 70,000 for the costs of material in 2025.

With regard to the costs of energy products and utilities, in its application the ISO BIH pointed out that the relevant technical standards should be taken into consideration as well as that they expect an agreement for market-based electricity supply to be signed, which may cause a smaller or larger variance in comparison to the planned costs. The Commission supports the arguments of the Presiding Officer while processing the items of the planned costs of the ISO BIH for energy products and utilities and approves the proposed amount of BAM 128,000.

The cost of services is the second largest cost in the breakdown of total costs of the ISO BIH. It was pointed out in the application that almost all planned costs under this category had increased in comparison to the previous year. In the tariff application, the services of hardware and software equipment maintenance, the services of SCADA/EMS system and telephone switchboard maintenance and the services of the Security Coordination Centre (SCC) totalling more than 2.8 million BAM are noticed in particular due to the level of costs. Therefore, the

Commission pays special attention to the individual costs in this category which are dominant in terms of their amounts and relevance.

The annual costs of financing the work of the Coordination Auction Office in South East Europe (SEE CAO) amounting to BAM 140,000 and those of the Security Coordination Centre (SCC), which were increased after an additional request for the correction of costs, reaching an amount of BAM 586,749 are recognised and approved. The Commission accepts and recognises the costs of bank transfers and commissions amounting to BAM 90,000 which were caused by additional inflows and outflows (international payments) based on the financial settlement of unintended deviations among Load Frequency Control areas (FSKAR). The cost of regulatory fee for 2025 totalling BAM 122,000, the cost of other services in the requested amount of BAM 127,000 and the services of SCADA system maintenance amounting to BAM 200,000 are recognised and justified.

With the need to optimise the service procurement by the applicant, without prejudice to the amounts per individual cost items, the Commission is of the opinion that the maintenance services may be realised within the total amount approved for the cost of services.

Considering that the ISO BIH may also influence on amounts of other individual cost items (costs of equipment maintenance, advertising services, information security and professional development) without jeopardising the functionality of its operation, and monitoring the previous realisation, the Commission approves the costs of services totalling BAM 2,899,449.

Labour costs are the dominant costs in business operations of the ISO BIH. The Commission accepts the arguments provided by the ISO BIH regarding the realistic need to hire new employees in the dispatch centre due to the increase in the scope of activities on quality management of the whole transmission network. In this context, the Commission increases the amount for the position of labour costs (employees' gross salaries and allowances) and approves a total of BAM 5,800,000. It is considered that the level of approved funds, with a rational approach to hiring new employees, is sufficient for efficient business operations of the ISO BIH in 2025.

The ISO BIH asked for approval of the depreciation cost for 2025 amounting to BAM 2,556,705. As in the previous tariff proceedings, the Commission suggests to the ISO BIH to regulate its accounting policies with regard to the assessment of a useful life of fixed assets so that they would correspond to the SERC's approach when justifying costs. Furthermore, a significant difference is noticed between the planned and realised values of depreciation in the previous period. Furthermore, taking into consideration the 2025 investment cycle, the related procurements and planned activation of new fixed assets as well as the indications of the slow pace of investment and delays due to the circumstances which follow the public procurement process, which were the arguments of the interveners in the hearing, the Commission approves the cost of depreciation amounting to BAM 2,285,471. It is expected that the previously procured assets would be fully activated in 2025, including the expansion of the WAMS system and the operational planning software.

The largest part of financial costs pertain to interest rates on loans, while a smaller part pertains to leasing costs and insurance premiums. The ISO BIH also submitted the Investment and Loan Plan for 2025 within its tariff application the value of which amounts to 4.49 million BAM. Under the plan, the new investments will be funded by loans and the projected surplus of revenues amounting to BAM 228,623 which would ensure the missing funds for the loan repayment. Taking into consideration the surplus of revenues over expenditures in the previous years, and well as the interveners' position that these funds should be taken into consideration when approving the total costs as they may reduce the amount of possible loans, the

Commission approves a total of BAM 338,946 for financial costs with the costs of insurance and leasing being included in this amount.

With regard to the above, the Commission continues to expect the applicant to fully comply with the provisions of the Law Establishing an Independent System Operator for the Transmission System of Bosnia and Herzegovina, meaning that any loan debt, a loan or acceptance of grants should be preceded by the adoption of an investment plan, an investment decision of the ISO BIH management structures with SERC being informed thereof in a timely manner and, if deemed necessary, obtaining SERC approval pursuant to the competences defined by law.

Travel costs are a group of costs with rather equal realisation during the previous years. When determining this cost the Commission accepts the Presiding Officer's proposal and the presented argumentation on the need to intensify the international activities and obligations under the ENTSO-E membership, and approves an amount of 180,000 BAM for this cost.

Other taxes and charges are a group of costs which primarily includes charges and taxes that do not depend on business results. Taking into consideration the legal nature of this cost, which is partially calculated on the basis of the net income of an employee as well as charges and taxes on which the ISO BIH has no influence, and considering that during the formal public hearing on this group of costs there were no interveners' comments, the Commission finds it reasonable to approve the requested amount of BAM 44,000 for 2025.

With regard to determining the level of other expenditures, the Commission takes into account the fact that the membership fees are high and that the ISO BIH has no influence on them (the ENTSO-E membership fee and others). Consequently, the amount for membership fees is approved at the requested level of BAM 1,229,000. However, having regard to the fact that the ISO BIH may exercise some control over certain costs within this category, such as other expenditures, remunerations for *ad hoc* jobs and fees for the Management Board and the Advisory Council, the Commission accepts the Presiding Officer's proposal and approves an amount of BAM 1,453,000 for other expenditures.

Taking into consideration the aforementioned reviews and approval of individual costs, the justified costs of the ISO BIH for 2025 amount to BAM 13,198,866 in total. The revenue of the ISO BIH should cover all mentioned justified costs of the regulated entity, that is, it should equal the amount of these costs. Furthermore, in 2025 the ISO BIH will have some revenues from donation funds (international projects) in an amount of BAM 234,594 which pertain to the EBRD grant for consultancy services related to the implementation of the office building reconstruction project and procurement of a new SCADA/EMS system and TK, and the donation of the European Commission through the CROSSBOW project for the WAMS system procurement. The Commission supports the Presiding Officer's proposal for reducing the total revenue requirement by that amount (BAM 234,594), having in mind that, according to the accounting rules, the ISO BIH enters the same amount as expenditures, so the effect is neutral from the aspect of income statement. Furthermore, the approved surplus of revenues over expenditure amounting to BAM 115,000 is taken into account when calculating the revenue requirement, consequently, the revenue requirement of the Independent System Operator in Bosnia and Herzegovina in 2025 is set to the amount of BAM 13,079,272.

Considering the actual withdrawal of electricity from the transmission system in 2024 as well as the fact that the balancing item of energy withdrawn from the transmission system was continuously underestimated, for the purpose of harmonisation with the actual consumption trend, the Commission is of the opinion that the value of 10,775,919,226 kWh better reflects the current situation, and, consequently, is taken as relevant for the calculation of the tariff component for operation of an independent system operator which is paid by customers for

electricity withdrawn from the transmission system (L component). For the purpose of calculating the tariff component for operation of an independent system operator which is paid by generators for electricity injected into the transmission system (G component), the balancing item of produced energy is used, amounting to 15,496,896,706 kWh.

The tariff for operation of an independent system operator is set by putting into relation the revenue requirement to be achieved from the tariff and the amount of electricity which is withdrawn from the transmission network by customers and which is injected into the transmission network by generators, taking into consideration the 90%:10% ratio of L and G component. The same as in the previous tariff proceedings, pursuant to the Tariff Methodology, a part of the ISO BIH revenue requirement pertaining to the tariff paid by generators for electricity injected into the transmission system is determined in an amount of 10% of the revenue requirement realised from the tariff. Taking into consideration all the aforesaid, the tariff for operation of an independent system operator operation is set as stated in the operative part of the Decision.

The same as in the previous tariff proceedings, the Commission will continuously monitor the application of determined tariff and the realisation of the Power Balance in the BIH Transmission Network and make its adjustment if deemed necessary. The ISO BIH is obligated to finance the individual elements of the revenue requirement within the values as approved by this decision.

It is the opinion of the Commission that the tariff set in the stated amount ensures the revenue requirement for efficient, safe and reliable operation of the ISO BIH, that is, it enables covering of all costs and expenditures reasonably incurred in its business activities. Within the reasonable discretionary right of the Commission to confirm the representativeness and validity of all submitted data and statements, to estimate the level of possibility of realising all projected costs and expenditures, having comprehensively considered all the proofs pointed out in the application, Presiding Officer's Report and comments of the applicant and the interested parties (interveners), the Commission decided as stated in the operative part of the decision.

Pursuant to Article 14 of the Rule on Tariff Proceedings, the applicant as a regulated entity is obligated to enable public access to the officially approved tariff by making tariffs approved by a decision accessible to the public at its main business office during working days and publishing them on its website.

Pursuant to Article 9.2. of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina, proceedings may be initiated before the Court of Bosnia and Herzegovina against this Decision by filing a lawsuit within sixty (60) days of receipt thereof.

Number: 04-28-5-358-32/24
26 December 2024
Tuzla

Chairwoman of the Commission
Branislava Milekić